MAŽEIKIŲ NAFTA AB

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2005

CONTENTS Pages

REVIEW REPORT	3
CONSOLIDATED INTERIM BALANCE SHEET	4
CONSOLIDATED INTERIM INCOME STATEMENT	5
CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	6 -7
CONSOLIDATED INTERIM CASH FLOW STATEMENT	8
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS	9 - 66

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers UAB
J. Jasinskio 16B
LT-01112 Vilnius
Lithuania
Telephone +370 (5) 239 2300
Facsimile +370 (5) 239 2301
E-mail vilnius@lt.pwc.com
www.pwc.com/lt

Review Report

To the Shareholders and the Board of Directors of Mažeikių Nafta AB

1. We have reviewed the accompanying consolidated interim balance sheet of Mažeikių Nafta AB (hereinafter "the Company") and its consolidated subsidiaries (hereinafter "the Group") as at 30 September 2005, and the related consolidated interim statements of income, cash flows and changes in shareholders' equity for the nine month period then ended. These consolidated interim financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review.

2. We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

3. Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not give a true and fair view in accordance with accounting standard applicable to interim financial reporting as adopted for use in the European Union and International Accounting Standard No. 34 "Interim Financial Reporting".

4. We draw attention to Note 2.1 which explains the Group's transition to IFRS and that these interim financial statements have been prepared in accordance with those IFRS standards and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements (November 2005). The IFRS standards and IFRIC interpretations that will be applicable at 31 December 2005, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing these interim financial statements.

On behalf of PricewaterhouseCoopers UAB

Christopher C. Butler
Partner
Vilnius, Republic of Lithuania
30 November 2005

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

Consolidated interim balance sheet

	Note	At 30 September 2005		At 31 December 2004	
ASSETS		**USD**	**LTL**	**USD**	**LTL**
Non-current assets					
Property, plant and equipment	7	494,846	1,416,100	497,811	1,261,702
Intangible assets	8	3,803	10,882	4,686	11,877
Goodwill	9	413	1,183	-	-
Investment in associates	10	1,244	3,560	1,336	3,386
Deferred income tax assets	20	22,524	64,457	13	33
Available-for-sale financial assets		1	3	20	51
Non-current receivables and prepayments	11	21,702	62,105	9,522	24,135
		544,533	1,558,290	513,388	1,301,184
Current assets					
Inventories	12	279,074	798,626	193,846	491,302
Trade and other receivables	13	201,043	575,325	137,171	347,661
Prepaid current income tax		-	-	66	168
Cash and cash equivalents	14	657,275	1,880,924	393,719	997,881
		1,137,392	3,254,875	724,802	1,837,012
Non-current assets classified as held for sale		6	17	267	677
		1,137,398	3,254,892	725,069	1,837,689
Total assets		1,681,931	4,813,182	1,238,457	3,138,873
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Share capital	15	181,366	707,454	181,366	707,454
Share premium		72,752	283,040	72,752	283,040
Reserves	16	13,303	35,701	109	437
Cumulative translation adjustment		2,008	(63,355)	4,344	(211,052)
Retained earnings		350,064	809,982	174,125	316,789
		619,493	1,772,822	432,696	1,096,668
Minority interest		253	724	686	1,739
Total equity		619,746	1,773,546	433,382	1,098,407
LIABILITIES					
Non-current liabilities					
Borrowings	19	453,746	1,298,485	465,916	1,180,865
Other non-current liabilities	17	7,366	21,080	4,985	12,634
Provisions	21	11,031	31,567	-	-
		472,143	1,351,132	470,901	1,193,499
Current liabilities					
Trade and other payables	18	470,262	1,345,729	264,966	671,561
Current income tax liabilities		42,375	121,265	53,286	135,053
Borrowings	19	70,029	200,402	11,953	30,294
Provisions	21	7,376	21,108	3,969	10,059
		590,042	1,688,504	334,174	846,967
Total liabilities		1,062,185	3,039,636	805,075	2,040,466
Total equity and liabilities		1,681,931	4,813,182	1,238,457	3,138,873

The General Director and the Chief Financial Officer approved the consolidated interim financial statements on pages 4 to 66 on 30 November 2005.

Paul Nelson English — Vita Petrošienė
General Director — Chief Financial Officer

The notes on pages 9 to 66 are an integral part of these consolidated interim financial statements.

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

Consolidated interim income statement

		2005				2004			
		3 months ended 30 September		9 months ended 30 September		3 months ended 30 September		9 months ended 30 September	
	Note	USD	LTL	USD	LTL	USD	LTL	USD	LTL
Sales	6	1,089,253	3,081,061	2,883,168	7,899,826	812,593	2,307,478	1,902,454	5,370,653
Cost of sales	23	(916,000)	(2,590,996)	(2,368,140)	(6,488,889)	(660,885)	(1,878,556)	(1,542,142)	(4,355,230)
Gross profit		173,253	490,065	515,028	1,410,937	151,708	428,922	360,312	1,015,423
Other operating income	22	4,093	11,579	10,202	28,005	1,084	3,069	2,056	5,818
Selling and marketing costs	23	(40,506)	(114,574)	(143,558)	(390,906)	(41,819)	(118,242)	(118,159)	(332,149)
Administrative expenses	23	(22,045)	(62,358)	(56,911)	(156,190)	(11,292)	(31,914)	(38,875)	(109,555)
Operating profit		114,795	324,712	324,761	891,846	99,681	281,835	205,334	579,537
Finance costs	24	(7,668)	(21,693)	(23,396)	(63,768)	(5,160)	(14,318)	(19,332)	(54,091)
Share of profit/(losses) of associates	10	1	3	64	173	(25)	(70)	(42)	(118)
Profit before income tax		107,128	303,022	301,429	828,251	94,496	267,447	185,960	525,328
Income tax expense	25	3,492	9,877	(20,155)	(53,582)	(18,388)	(51,575)	(27,612)	(77,619)
Profit for the period		110,620	312,899	281,274	774,669	76,108	215,872	158,348	447,709
Attributable to:									
Equity holders of the Company		110,629	312,925	281,804	776,066	76,139	215,960	158,523	448,202
Minority interest		(9)	(26)	(530)	(1,397)	(31)	(88)	(175)	(493)
		110,620	312,899	281,274	774,669	76,108	215,872	158,348	447,709
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in USD or LTL per share)									
– basic	26	0.156	0.442	0.398	1.097	0.108	0.305	0.224	0.634
– diluted	26	0.108	0.305	0.278	0.766	0.081	0.230	0.171	0.484

The notes on pages 9 to 66 are an integral part of these consolidated interim financial statements.

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

Consolidated interim statement of changes in shareholders' equity (in USD'000)

	Note	Attributable to equity holders of the Company							Minority interest	Total equity
		Share capital	Share premium	Statutory revaluation reserve	Legal reserve	Fair value reserve	Cumulative translation adjustments	Retained earnings		
Balance at 1 January 2004		181,366	87,613	109	-	12	3,286	(101,839)	906	171,453
Changes in fair value of cash flow hedges		-	-	-	-	(779)	-	-	-	(779)
Transfer of accumulated loss on cash flow hedges to income statement		-	-	-	-	767	-	-	-	767
Currency translation adjustments		-	-	-	-	-	(270)	-	(11)	(281)
Net (expenses) recognised directly in equity		-	-	-	-	(12)	(270)	-	(11)	(293)
Profit for the period		-	-	-	-	-	-	158,523	(175)	158,348
Total recognised income for the period		-	-	-	-	(12)	(270)	158,523	(186)	158,055
Increase in retained earnings by decreasing share premium	5.2.2	-	(14,861)	-	-	-	-	14,861	-	-
Balance at 30 September 2004		181,366	72,752	109	-	-	3,016	71,545	720	329,508
Balance at 1 October 2004		181,366	72,752	109	-	-	3,016	71,545	720	329,508
Currency translation adjustments		-	-	-	-	-	1,328	-	51	1,379
Net income recognised directly in equity		-	-	-	-	-	1,328	-	51	1,379
Profit for the period		-	-	-	-	-	-	102,580	(85)	102,495
Total recognised income for the period		-	-	-	-	-	1,328	102,580	(34)	103,874
Balance at 31 December 2004		181,366	72,752	109	-	-	4,344	174,125	686	433,382
Balance at 1 January 2005		181,366	72,752	109	-	-	4,344	174,125	686	433,382
Currency translation adjustments		-	-	-	-	-	(2,336)	-	(38)	(2,374)
Net (expenses) recognised directly in equity		-	-	-	-	-	(2,336)	-	(38)	(2,374)
Profit for the period		-	-	-	-	-	-	281,804	(530)	281,274
Total recognised income for the period		-	-	-	-	-	(2,336)	281,804	(568)	278,900
Increase in share in subsidiary		-	-	-	-	-	-	-	135	135
Transfer to legal reserve	16	-	-	-	13,194	-	-	(13,194)	-	-
Dividend	28	-	-	-	-	-	-	(92,671)	-	(92,671)
Balance at 30 September 2005		181,366	72,752	109	13,194	-	2,008	350,064	253	619,746

The notes on pages 9 to 66 are an integral part of these consolidated interim financial statements.

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

Consolidated interim statement of changes in shareholders' equity (in LTL'000)

	Note	Attributable to equity holders of the Company							Minority interest	Total equity
		Share capital	Share premium	Statutory revaluation reserve	Legal reserve	Fair value reserve	Cumulative translation adjustments	Retained earnings		
Balance at 1 January 2004		707,454	342,484	437	-	35	(114,802)	(464,538)	2,502	473,572
Changes in fair value of cash flow hedges		-	-	-	-	(2,272)	-	-	-	(2,272)
Transfer of accumulated loss on cash flow hedges to income statement		-	-	-	-	2,237	-	-	-	2,237
Currency translation adjustments		-	-	-	-	-	2,326	-	9	2,335
Net income recognised directly in equity		-	-	-	-	(35)	2,326	-	9	2,300
Profit for the period		-	-	-	-	-	-	448,202	(493)	447,709
Total recognised income for the period		-	-	-	-	(35)	2,326	448,202	(484)	450,009
Increase in retained earnings by decreasing share premium	5.2.2	-	(59,444)	-	-	-	-	59,444	-	-
Balance at 30 September 2004		707,454	283,040	437	-	-	(112,476)	43,108	2,018	923,581
Balance at 1 October 2004		707,454	283,040	437	-	-	(112,476)	43,108	2,018	923,581
Currency translation adjustments		-	-	-	-	-	(98,576)	-	(49)	(98,625)
Net (expenses) recognised directly in equity		-	-	-	-	-	(98,576)	-	(49)	(98,625)
Profit for the period		-	-	-	-	-	-	273,681	(230)	273,451
Total recognised income for the period		-	-	-	-	-	(98,576)	273,681	(279)	174,826
Balance at 31 December 2004		707,454	283,040	437	-	-	(211,052)	316,789	1,739	1,098,407
Balance at 1 January 2005		707,454	283,040	437	-	-	(211,052)	316,789	1,739	1,098,407
Currency translation adjustments		-	-	-	-	-	147,697	-	23	147,720
Net income recognised directly in equity		-	-	-	-	-	147,697	-	23	147,720
Profit for the period		-	-	-	-	-	-	776,066	(1,397)	774,669
Total recognised income for the period		-	-	-	-	-	147,697	776,066	(1,374)	922,389
Increase in share in subsidiary		-	-	-	-	-	-	-	359	359
Transfer to legal reserve	16	-	-	-	35,264	-	-	(35,264)	-	-
Dividend	28	-	-	-	-	-	-	(247,609)	-	(247,609)
Balance at 30 September 2005		707,454	283,040	437	35,264	-	(63,355)	809,982	724	1,773,546

The notes on pages 9 to 66 are an integral part of these consolidated interim financial statements.

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

Consolidated interim cash flow statement

		9 months ended 30 September			
		2005		2004	
	Note	USD	LTL	USD	LTL
Cash flows from operating activities					
Cash generated from operations	29	409,062	1,268,400	213,035	605,359
Interest paid		(21,129)	(57,738)	(19,863)	(55,961)
Income tax paid		(47,303)	(135,367)	-	-
Net cash generated from operating activities		340,630	1,075,295	193,172	549,398
Cash flows from investing activities					
Purchases of property, plant and equipment		(30,677)	(84,764)	(17,922)	(50,046)
Proceeds from sale of property, plant and equipment		469	1,284	1,074	3,043
Proceeds from sale of non-current assets classified as held for sale		210	587	-	-
Purchases of intangible assets		(4,221)	(12,335)	(451)	(1,271)
Proceeds from sale of available-for-sale financial assets		19	48	227	640
Interest received		9,657	23,969	2,056	5,818
Acquisition of shares in subsidiary from minority	32	(208)	(554)	-	-
Net cash used in investing activities		(24,751)	(71,765)	(15,016)	(41,816)
Cash flows from financing activities					
Proceeds from borrowings		-	-	9	-
Repayments of borrowings		(13,421)	(36,669)	(9,003)	(25,806)
Finance lease principal payments		(235)	(643)	(386)	(1,090)
Dividends paid to the Company's shareholders		(92,665)	(247,592)	-	-
Contribution of minority shareholders to the share capital of subsidiary		3	7	-	-
Net cash used in financing activities		(106,318)	(284,897)	(9,380)	(26,896)
Net increase in cash and bank overdrafts		209,561	718,633	168,776	480,686
Cash and bank overdrafts at beginning of period	14	393,639	997,681	132,192	365,128
Exchange gains/(losses) on cash and bank overdrafts		(5,925)	(7,092)	1,269	1,325
Cash and bank overdrafts at end of period	14	597,275	1,709,222	302,237	847,139

The notes on pages 9 to 66 are an integral part of these consolidated interim financial statements.

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

Notes to the consolidated interim financial statements

1. General information

Mažeikių Nafta AB (hereinafter "the Company") was originally established in 1980 to refine crude oil and market refined oil products. In 1995, the Company was reorganised into a public company following a partial privatisation by the Company's employees. In 1998, the Company merged with Būtingės Nafta AB, an oil terminal operator, and Naftotiekis AB, a pipeline operator.

The Company is a limited liability company incorporated and domiciled in Lithuania. The address of its registered office is Juodeikiai, LT-89467 Mažeikių raj., Lithuania.

The Company has its primary listing on the Vilnius Stock Exchange (Lithuania).

The Company's two primary shareholders are Yukos Finance B.V. (part of Yukos Group) with 53.7 percent and the Government of Lithuania with 40.7 percent of shares. The remaining shares are widely held.

According to the Investment Agreement Yukos Finance B.V. has management control rights of the Company.

Current situation at Yukos Group

As a result of numerous claims issued by the Russian tax authorities during 2003 and 2004, Yukos Group has been placed in serious financial and operating difficulties. As a consequence as at the date of these financial statements, Yukos Group is negotiating the sale of its shareholding in the Company. In addition to being the Company's major shareholder, Yukos Group has in the past been its major supplier of crude based on long term supply agreements.

(1) Sale of shares

In October 2005, the Netherlands court imposed a temporary freeze on Yukos Finance B.V. shareholding in the Company as security for claims received from the creditors of Yukos Group. In November 2005, restriction on disposal of shares was abolished, which resulted in a right to dispose of shares to an extent such disposal was without prejudice to the interests of Yukos Group creditors. In November 2005, the Netherlands court decided to form a group of experts for the sale of Yukos Finance B.V. assets, including its shareholding in the Company. The group of experts has to be approved by the court on 15 December 2005. Yukos Finance B.V. expects to sell the shares by itself. The Government of the Republic of Lithuania has, according to the Investment Agreement, right of first refusal to purchase the shares owned by Yukos Finance B.V. and according to the law passed in November 2005 is authorized to buy out Yukos Finance B.V. 53.7 percent stake in the Company and to sell it on to another investor along with about half of the state-owned 40.7 percent stake. Currently Yukos Group is negotiating with a number of potential purchasers and the outcome of these negotiations is not known.

(2) Supply of crude oil

In February 2005, Yukos Group suspended crude supplies to the Group.

However, management has taken steps to ensure the continuity of supply by signing agreements with several separate oil traders for a total of approximately 9 million tons to be delivered to the refinery during 2005, plus an option for a further 2 million. The management plans that approximately 8.6 million tons will be delivered to the refinery in 2006. Crude is being sourced from four main producers: Lukoil, TNK-BP, Sibneft and Rosneft.

A significant and lengthy disruption of crude supply would have material adverse effects on the Group's financial position, results of operations and liquidity. However, the management believes that based on its actions and the Group's capital, financing and operating plans for 2005 and 2006 there will be no material adverse impact on the Group of the operating difficulties being experienced by Yukos Group.

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

1. General information (continued)

The consolidated group

The consolidated group (hereinafter "the Group") consists of the Company and its eight subsidiaries and one associate. The subsidiaries and associate included in the Group's consolidated financial statements are listed below:

Subsidiary / associate	Country of incorporation	Year of establishment /acquisition	Group's share (%) as at 30 September 2005	Group's share (%) as at 31 December 2004	Profile
Subsidiaries					
Uotas UAB	Lithuania	2002	100	100	Rent of petrol stations
Ventus Nafta AB	Lithuania	2002	97.52	95.2	Retail of refined oil products
Mažeikių Naftos Prekybos Namai UAB	Lithuania	2003	100	100	The Company's sales commissioner in Lithuania
Mazeikiu nafta tirdcniecibas nams SIA	Latvia	2003	100	100	Wholesale of refined oil products in Latvia
Mazeikiu nafta trading house OU	Estonia	2003	100	100	Wholesale of refined oil products in Estonia
Mazeikiu nafta trading house Sp.z.o.o.	Poland	2003	100	100	Wholesale of refined oil products in Poland
Biržietiška aibė UAB	Lithuania	1999	100	100	Bakery, food retail stores
Juodeikių nafta UAB	Lithuania	1995	100	60	Fill up of tanks with oil products
Associates					
Naftelf UAB	Lithuania	1996	34	34	Sales of aviation fuel and construction of aviation fuel storage facilities

Group MENATEP Ltd (GIB) is the ultimate parent of the Group.

2. Summary of significant accounting policies

2.1 Basis of preparation

These September 2005 interim consolidated financial statements of Mažeikių Nafta AB are for the nine months ended 30 September 2005. They have been prepared in accordance with accounting standard applicable to interim financial reporting as adopted for use in the European Union (EU) and IAS 34, Interim Financial Reporting and are covered by IFRS 1, First-time Adoption of IFRS, because they are part of the period covered by the Group's first IFRS financial statements for the year ending 31 December 2005.

All International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) have been adopted for use in the EU through the endorsement procedure established by the European Commission, with the exception of the International Accounting Standard IAS 39 "Financial Instruments: Recognition and Measurement". Following the Accounting Regulatory Committee decision of October 2004, the Commission adopted the Regulation requiring the use of IAS 39, minus certain provisions on the full fair value option and portfolio hedging of core deposits, by all listed companies from 1 January 2005.

Since the Group has not elected to follow the fair value option in IAS 39 and is not affected by the provisions regarding portfolio hedging that are not required by the EU-endorsed version of IAS 39, the accompanying financial statements comply with both the accounting standards adopted for use in the European Union and with International Financial Reporting Standards.

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

2.1 Basis of preparation (continued)

These consolidated interim financial statements have been prepared in accordance with those IFRS standards and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements (November 2005). The IFRS standards and IFRIC interpretations that will be applicable at 31 December 2005, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing these consolidated interim financial statements. When preparing its annual financial statements for the year ending 31 December 2005 the Group will apply, in accordance with IFRS 1, IFRS standards and IFRIC interpretations that will be effective at 31 December 2005. The Group may therefore change its accounting policies and adjust opening IFRS balance sheet as a result of new or amended standards and interpretations.

The policies set out below have been consistently applied to all the periods presented.

Mažeikių Nafta AB consolidated financial statements were prepared in accordance with Accounting Principles Generally Accepted in the United States of America (GAAP) until 31 December 2004. GAAP differs in some areas from IFRS. In preparing Mažeikių Nafta AB 2005 consolidated interim financial statements, management has amended certain accounting and consolidation methods applied in the GAAP financial statements to comply with IFRS. The comparative figures in respect of 2004 were restated to reflect these adjustments.

Reconciliations and descriptions of the effect of the transition from GAAP to IFRS on the Group's equity and its net income and cash flows are provided in Note 5.

These consolidated interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated interim financial statements, are disclosed in Note 4.

Early adoption of standards
In its interim consolidated financial statements for the three month period ended 31 March 2005 the Group has elected to early adopt IFRS 5, Non-current Assets Held for Sale and Discontinued Operations and apply it for the period beginning 1 January 2004.

Changes in accounting policies
During the three month period ended 30 September 2005 the Group changed its accounting policy for the allowances issued by the Government of the Republic of Lithuania to emit certain amount of carbon dioxide and for the related government grant and liabilities.

The Group participates in a carbon dioxide cap and trade scheme. It is set a target to reduce its emissions of carbon dioxide to a specified level (the cap). The Group is issued allowances equal in number to its cap by the Government of the Republic of Lithuania. Allowances are issued free of charge.

Previously the Group initially measured allowances at fair value and amortised using the straight-line method over the period of 3 years. For allowances issued for less than fair value, the difference between the amount paid and fair value was a government grant and was recognised as deferred income in the balance sheet and subsequently recognised as income on a systematic basis over the compliance period for which the allowances were issued. As actual emissions were made, a liability was recognised for the obligation to deliver allowances equal to emissions that had been made. It was measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

Now the Group measures both emission allowances and government grant at a nominal amount, i.e. zero. As actual emissions are made, a liability is recognised for the obligation to deliver allowances. Liabilities to be settled using allowances on hand are measured at the carrying amount of those allowances, i.e. zero. Any excess emissions are measured at the market value of allowances at the period end.

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

2.1 Basis of preparation (continued)

Management judges that this policy helps to avoid income statement volatility related to the different measurement bases and the timing of recognition of the emission rights asset and the liability arising from the emission of pollutants.

This change in accounting policy has been accounted for retrospectively, and the Group's interim financial statements for the three month period ended 31 March 2005 and six month period ended 30 June 2005 have been restated. The change in accounting policy has not affected comparatives as at 31 December 2004 and 30 September 2004.

The change in accounting policy resulted in:

	At 30 June 2005		At 31 March 2005	
	USD	LTL	USD	LTL
Decrease in intangible assets	64,068	183,741	71,324	190,042
Decrease in other non-current liabilities	43,454	124,622	48,793	130,009
Decrease in trade and other payables	50,368	144,450	31,406	83,680
Increase in retained earnings	29,754	84,162	8,875	23,325
Increase in cumulative translation	-	1,169	-	322

	6 months ended 30 June 2005		3 months ended 31 March 2005	
	USD	LTL	USD	LTL
Decrease in cost of sales	29,754	84,162	8,875	23,325

The impact on basic and diluted earnings per share for profit attributable to the equity holders of the Company was as follows:

	6 months ended 30 June 2005		3 months ended 31 March 2005	
	USD	LTL	USD	LTL
Increase in earnings per share (expressed in USD or LTL per share)				
- basis	0.042	0.119	0.013	0.033
- diluted	0.030	0.084	0.009	0.024

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on which control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the group's share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement (see Note 2.6).

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

2.2 Consolidation (continued)

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting.

The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (see Note 2.6).

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The investment in an associate is initially recognised at cost and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss of the associate after the date of acquisition. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The functional currency of the Company is the US dollar (USD) as a significant portion of its business is conducted in the US dollars and management uses the USD to manage business risks and exposures and to measure performance of the business.

The consolidated interim financial statements are presented in US dollars, which is the Company's functional and presentation currency, and Lithuanian Litas (LTL) which is the Company's presentation currency.

The financial statements of the Group, prepared in US dollars, the functional currency of the Company, are translated to presentation currency, Lithuanian Litas by using period end exchange rate for translation of assets and liabilities and average exchange rate for the period for translation of income and expenses (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at rates prevailing at the dates of the transactions). All resulting exchange differences are recognised as cumulative translation adjustments as a separate component of equity.

From 2 February 2002 the exchange rate of the Litas has been pegged to the euro at a rate of LTL 3.4528 = EUR 1.

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

2.4 Foreign currency translation (continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except where hedge accounting is applied as explained in Note 3.2.

(c) Group companies

The results and financial position of all group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the Company's functional currency USD being a presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity (cumulative translation adjustment).

Exchange differences arising from the translation of the net investment in subsidiaries are taken to shareholders' equity on consolidation. When a subsidiary is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a subsidiary are treated as assets and liabilities of the subsidiary and translated at the closing rate.

2.5 Property, plant and equipment

Property, plant and equipment is shown at cost less subsequent depreciation and impairment. Land is shown at cost less impairment. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on assets, except for catalysts which are depreciated using the unit of output method, is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life, as follows:

– buildings	10-90 years
– constructions, plant and machinery	2-70 years
– other property, plant and equipment	2-32 years

Property, plant and equipment include spare parts that can only be used in connection with specific item of property, plant and equipment.

2.5 Property, plant and equipment (continued)

Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, annually at each year end.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.7).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

Borrowing costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

2.6 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is presented separately on the balance sheet. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is tested annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment by each primary reporting segment (Note 2.7).

(b) Patents and licences

Patents and licences include acquired patents and costs of manufacturing technology used by the refinery. Patents and licences are recognised at cost. They have a definite useful life and are carried at cost less accumulated amortisation less impairment. Amortisation is calculated using the straight-line method to allocate the cost of patents and licences over their estimated useful lives (2-5 years).

(c) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (3 years).

Costs associated with maintaining computer software programs are recognised as an expense as incurred.

(d) Allowances

Allowances include allowances issued by the Government of the Republic of Lithuania to emit certain amount of carbon dioxide. Allowances are measured initially at their nominal amount and amortised using the straight-line method over the period for which allowances are issued. For allowances issued free of charge a nominal amount is zero.

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

2.7 Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment and whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2.8 Investments

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired and whether the investment is quoted in an active market. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of trading. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets and are included in non-current receivables and prepayments in the balance sheet. Loans and receivables are included in trade and other receivables in the balance sheet (see Note 2.10).

(c) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets quoted in an active market with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. The Group did not hold any investments in this category during the period.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment or investment matures within 12 months of the balance sheet date in which case they are included in current assets.

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus, in the case of financial assets not carried at fair value through profit or loss, transaction costs. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'Financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

2.8 Investments (continued)

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis refined to reflect the issuer's specific circumstances.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in income statement.

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.10 Trade receivables

Trade receivables are recognised initially at fair value of the amount receivable and subsequently measured at amortised cost using the effective interest method. Amortised cost is the amount at which the receivable was recognised at initial recognition minus principal repayments, plus accrued interest, and minus any write-down for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

2.11 Non-current assets classified as held for sale

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use. The Group measures non-current assets classified as held for sale at the lower of the carrying amount and fair value less costs to sell.

The Group early adopted IFRS 5 from 1 January 2004 before its affective date on 1 January 2005 prospectively in accordance with the standard's provisions. Non-current assets held for sale represent property, plant and equipment. Management expects that the carrying amount of these assets will be recovered principally though sale rather than continuing use. Under previous GAAP these assets were classified as inventory under current assets. Refer to Note 5.2.3 for adjustment made on transition to IFRS. There was no difference in measurement for non-current assets held for sale or inventory. The application of IFRS 5 does not impact on the comparatives other than a change in the presentation on the balance sheet.

2.12 Cash and cash equivalents

For the purposes of the cash flow statement cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

2.13 Share capital

Ordinary shares are classified as equity.

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the amount at initial recognition and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.15 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.16 Employee benefits

(a) Long-term employee benefits

Some Group companies provide bonuses and paid leave to their employees based on the years of service. The liability recognised in the balance sheet in respect of long-term employee benefits is the present value of the defined benefit obligation at the balance sheet date. The defined benefit obligation is calculated at each balance sheet date by actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms of maturity approximating to the terms of the related liability.

Actuarial gains and losses are recognised immediately and no "corridor" is applied. All past service costs are recognised immediately.

(b) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing where contractually obliged or where there is a past practice that has created a constructive obligation.

2.17 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the increases specific to the liability.

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

2.18 Revenue recognition

Revenue comprises the fair value of the consideration receivable for the sale of goods and services, net of value-added tax, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

(a) Sales of goods

Sales of goods are recognised when the risk of loss of or damage to the goods, as well as any additional costs due to events occurring after the time the goods have been delivered to the carrier or to a specified destination, is transferred from the Group to the buyer in accordance with the standardised terms and conditions of sale (Incoterms) agreed with the buyer, and collectability of the related receivables is reasonably assured. Excise taxes collected by the Group on behalf of the state are excluded from sales revenue.

(b) Sales of services

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(c) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues accreting the discount as interest income.

2.19 Leases – the Group is the lessee

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in long-term payables except for instalments due within 12 months which are included in current liabilities. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

2.20 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.21 Emission rights

The Group participates in a carbon dioxide cap and trade scheme. It is set a target to reduce its emissions of carbon dioxide to a specified level (the cap). The Group is issued allowances equal in number to its cap by the Government of the Republic of Lithuania. Allowances are issued free of charge.

During the three month period ended 30 September 2005 the Group changed its accounting policy for the allowances and for the related government grant and liabilities, see Note 2.1. The Group measures both emission allowances and government grant at a nominal amount, i.e. zero. As actual emissions are made, a liability is recognised for the obligation to deliver allowances. Liabilities to be settled using allowances on hand are measured at the carrying amount of those allowances. Any excess emissions are measured at the market value of allowances at the period end.

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

2.22 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Non-monetary government grants are recognised at their nominal amount.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

2.23 Compound financial instruments

The Group - the issuer of a non-derivative financial instrument - evaluates the terms of the financial instrument to determine whether it contains both a liability and an equity component. The Group recognises separately the components of a financial instrument that (a) creates a financial liability of the Group and (b) grants an option to the holder of the instrument to convert it into an equity instrument of the Group. Classification of the liability and equity components of a convertible instrument is not revised as a result of a change in the likelihood that a conversion option will be exercised, even when exercise of the option may appear to have become economically advantageous to some holders. The Group's contractual obligation to make future payments remains outstanding until it is extinguished through conversion, maturity of the instrument or some other transaction. When the initial carrying amount of a compound financial instrument is allocated to its equity and liability components, the equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. The value of any derivative features embedded in the compound financial instrument other than the equity component is included in the liability component. The sum of the carrying amounts assigned to the liability and equity components on initial recognition is always equal to the fair value that would be ascribed to the instrument as a whole. No gain or loss arises from initially recognising the components of the instrument separately.

2.24 Interim measurement note

(a) Seasonality of the business

The activities of the Group mostly depend on the supply of the crude oil and seasonal fluctuations are eliminated by the crude oil supply constraint. The Group produces and sells as much products as it receives crude oil. If the oil refinery worked in full capacity, the business of the Group would be affected by the seasonal fluctuations.

(b) Current income tax

Current income tax expense is recognised in these interim consolidated financial statements based on management's best estimates of the weighted average annual income tax rate expected for the full financial year.

(c) Costs

Costs that incur unevenly during the financial year are anticipated or deferred in the interim report only if it would also be appropriate to anticipate or defer such costs at the end of the financial year.

2.25 New accounting standards and IFRIC interpretations

Certain new accounting standards and IFRIC interpretations have been published that are mandatory for accounting periods beginning on or after 1 January 2006 and on or after 1 January 2007. The Group's assessment of the impact of these new standards and interpretations is set out below.

(a) IFRS 6 - Exploration for and Evaluation of Mineral Resource

The Group does not have any exploration and evaluation assets. This standard will not affect the Group's financial statements.

(all tabular amounts are in USD’000 and LTL’000 unless otherwise stated)

2.25 New accounting standards and IFRIC interpretations (continued)

(b) IFRS 7 - Financial Instruments: Disclosure

IFRS 7 is applicable to annual periods beginning on or after 1 January 2007. The Group has not elected to adopt the standard early. It will disclose information required by the standard in its 2007 financial statements.

(c) IFRS 1 (Amendment) - First-time Adoption of International Financial Reporting Standards and IFRS 6 Exploration for and Evaluation of Mineral Resources

The Group does not have any exploration and evaluation assets. This amendment of the standard will not affect the Group’s financial statements.

(d) IAS 1 (Amendment) - Presentation of Financial Statements: Capital Disclosures

IAS 1 (Amendment) is applicable to annual periods beginning on or after 1 January 2007. The Group has not elected to adopt the amendment early. It will disclose information required by the amendment in its 2007 financial statements.

(e) IAS 19 (Amendment) - Employee Benefits

The Group does not have post-employment defined benefit plans. This amendment will not affect the Group’s financial statements.

(f) IAS 39 (Amendment) - Cash Flow Hedge Accounting of Forecast Intragroup Transactions

IAS 39 (Amendment) is applicable to annual periods beginning on or after 1 January 2006. The Group has not elected to adopt the amendment early. It will apply the amendment in its 2006 financial statements under the IAS 39 (Amendment) transition provisions. The Group will need not apply the amendment to the comparative information relating to the periods before the date of application.

(g) IAS 39 (Amendment) - The Fair Value Option

IAS 39 (Amendment) is applicable to annual periods beginning on or after 1 January 2006. The Group has not elected to adopt the amendment early. It will apply the amendment in its 2006 financial statements under the IAS 39 (Amendment) transition provisions. The Group does not expect that implementation of IAS 39 (Amendment) will have a significant impact on the financial statements.

(h) IAS 39 and IFRS 4 Amendments - Financial Guarantee Contracts

The Group has not issued financial guarantee contracts. These amendments will not affect the Group’s financial statements.

(i) IFRIC Interpretation 4 - Determining whether an Arrangement Contains a Lease

IFRIC Interpretation 4 is applicable to annual periods beginning on or after 1 January 2006. The Group has not elected to adopt IFRIC Interpretation 4 early. It will apply IFRIC Interpretation 4 in its 2006 financial statements under the IFRIC Interpretation 4 transition provisions. The Group will therefore apply IFRIC Interpretation 4 on the basis of facts and circumstances that existed at 1 January 2005. Implementation of IFRIC Interpretation 4 is not expected to change the accounting for any of the Group’s current arrangements.

(j) IFRIC Interpretation 5 - Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

The Group does not have interests in decommissioning, restoration and environmental rehabilitation funds. This interpretation will not affect the Group’s financial statements.

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

2.25 New accounting standards and IFRIC interpretations (continued)

(k) IFRIC Interpretation 6 - Liabilities arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment

The Group does not produce electrical and electronic equipment, therefore this interpretation will not affect the Group's financial statements.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk, liquidity risk, cash flow risk and fair value interest-rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a Company's treasury department under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest-rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investing excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Polish zloty and Lithuanian Litas. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

In 2004, the Group introduced a foreign currency risk management strategy that utilises derivatives to reduce its exposure to unanticipated fluctuations in cash flows derived from sales to Poland caused by changes in foreign currency exchange rates.

The Group uses forward and options contracts to manage their foreign exchange risk arising from future commercial transactions, recognised assets and liabilities. Foreign exchange risk arises when future commercial transactions, recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

(ii) Price risk

The Group occasionally enters into commodity swap contracts to reduce risk relating to the price volatility.

(b) Credit risk

Financial instruments that potentially subject the Group to a concentration of credit risk consist principally of temporary cash investments and accounts receivable.

The Group restricts placement of cash investments to financial institutions evaluated as highly creditworthy.

Concentrations of customers in the oil industry may impact the Group's overall exposure to credit risk, as these customers may be similarly effected by the changes in economic conditions. The Group has procedures in place to ensure on a continuous basis that sales are made to customers with an appropriate credit history and do not exceed an acceptable credit exposure limit established by the management. Management believes that there is no significant risk of loss to the Group beyond the provisions already established.

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

3.1 Financial risk factor (continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

(d) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The interest rates of finance leases to which the Group is lessor are fixed at inception of the lease. These leases expose the Group to fair value interest rate risk. The Group's cash flow and fair value interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

(e) Risk of dependency on Yukos Group

In 2005, the majority of sales of refined oil products, except for domestic sales and sales to Latvia, Estonia and Poland were made through sales commissioner Petroval PTE (2003 - 2004: Petroval SA), an entity related to Yukos Group (Note 33). In 2003 - 2004 Yukos Group was also the major supplier of crude oil to the Group. Therefore, negative changes in relationships with Yukos Group could have an adverse impact on the operations of the Group. Management actions in order to reduce the dependency on Yukos Group are summarised in Note 1.

3.2 Accounting for derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); hedges of highly probable forecast transactions (cash flow hedge); or hedges of net investments in foreign operations.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for example, when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

3.2 Accounting for derivative financial instruments and hedging activities (continued)

c) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Such derivatives are classified as at fair value through profit or loss, and changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

3.3 Fair value estimation

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

The nominal value less estimated credit adjustments of trade receivables is assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Income taxes

The Investment Agreement, signed between the Yukos Oil Corporation OAO, Yukos Finance B.V., Williams International Company, the Company and the Government of Lithuania guaranteed that starting from 29 October 1999 for a period of 10 years a portion of taxable profit of the Company utilised for investment in property, plant and equipment may be taxed at a corporate profit tax rate of 0 percent. If the Government fails to ensure for at least for a period of 10 years application of this investment credit, the Government shall be responsible for and shall indemnify and hold harmless the Company from any and all losses, liabilities and expenses incurred or sustained by the Company as a result of such failure. In addition, according to the Investment agreement the tax rates payable by the Company cannot be increased for the period of 10 years. Uncertainties relating to the application of the provisions of Investment Agreement based on the Constitutional Court decision are described in Note 30.

Deferred income tax is determined using tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Expected tax rates are based on the tax rates stability guaranteed in the Investment Agreement and the Company's budgeted investment in property, plant and equipment. If the Investment Agreement is terminated as a result of changes in the shareholders of the Company or where actual capital investments differ from the estimated investment, the termination of the Investment Agreement and differences in actual capital investments will impact the deferred tax in the period in which the Investment Agreement is terminated or such differences occur. Deferred tax assets amounted to USD 22,524 thousand or LTL 64,457 thousand as at 30 September 2005.

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

4.2 Critical judgements in applying the Group's accounting policies

(a) Accounting for pipeline fill

The Group recognises pipeline fill representing crude oil which is in the pipe connecting the refinery and Būtingė import-export oil terminal as property plant and equipment. The Group uses the pipeline to transport crude oil belonging to third parties. According to the technical specifications of equipment, there must be always certain level of crude oil in the pipe which belongs to the Group, although transported oil belongs to third parties. The Group has classified the pipeline fill as property, plant and equipment because the management of the Group believes that this crude oil will be used for more than one year and its balance in tons does not change and does not impact cost of sales. Pipeline fill is depreciated to its residual value which is equal to the crude oil market price at each balance sheet date. Pipeline fill is tested for impairment annually. The balance of pipeline fill amounted to USD 8,532 thousand or LTL 24,416 thousand as at 30 September 2005.

5. Transition to IFRS

5.1 Basis of transition to IFRS

5.1.1 Application of IFRS 1

The Group's financial statements for the year ending 31 December 2005 will be the first annual financial statements that comply with IFRS. These interim financial statements have been prepared as described in Note 2.1. The Group has applied IFRS 1 in preparing these consolidated interim financial statements.

The Group's transition date is 1 January 2004. The Group prepared its opening IFRS balance sheet at that date. The reporting date of these interim consolidated financial statements is 30 September 2005. The Group's IFRS adoption date is 1 January 2005.

In preparing these interim consolidated financial statements in accordance with IFRS 1, the Group has applied the mandatory exceptions and certain of the optional exemptions from full retrospective application of IFRS.

5.1.2 Exemptions from full retrospective application – elected by the Group

The Group has elected to apply the following optional exemptions from full retrospective application.

(a) Business combinations exemption

The Group has applied the business combinations exemption in IFRS 1. It has not restated business combinations that took place prior to the 1 January 2004 transition date.

(b) Fair value as deemed cost exemption

The Group has not applied this exemption.

(c) Employee benefits exemption

The Group does not have defined employee benefit plans for which "corridor" approach is applied; this exemption is not applicable.

(d) Cumulative translation differences exemption

The Group has not applied this exemption.

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

5.1 Basis of transition to IFRS (continued)

(e) Compound financial instruments exemption

The Group has applied the compound financial instruments exemption and aggregated the original equity component with retained earnings.

(f) Assets and liabilities of subsidiaries, associates and joint ventures exemption

This exemption is not applicable, as the use of the exemption is made at the level of the subsidiary, associate or joint venture that adopts IFRS later than its parent company.

(g) Exemption from restatement of comparatives for IAS 32 and IAS 39.

Previous GAAP was similar to IFRS in treatment of derivatives, financial assets, financial liabilities and hedging relationships. As a result the Group has not applied the exemption from restating the 2004 comparatives for effects of IAS 32 and IAS 39.

(h) Designation of financial assets and financial liabilities exemption

The Group reclassified various securities as available-for-sale investments and as financial assets at fair value through profit and loss.

(i) Share-based payment transaction exemption

The Group does not have share plans and share option plans, therefore this exemption is not applicable.

(j) Insurance contracts exemption

The Group does not issue insurance contracts; this exemption is not applicable.

5.1.3 Exceptions from full retrospective application followed by the Group

The Group has applied the following mandatory exceptions from retrospective application.

(a) Derecognition of financial assets and liabilities exception

Financial assets and liabilities derecognised before 1 January 2004 are not re-recognised under IFRS. The Group had no financial assets and liabilities derecognised since 1 January 2004 that do not meet the IAS 39 derecognition criteria.

(b) Hedge accounting exception

Management has claimed hedge accounting from 1 January 2004 only if the hedge relationship meets all the hedge accounting criteria under IAS 39. No differences in hedge accounting exist between previous GAAP and IFRS for the Group.

(c) Estimates exception

Estimates under IFRS at 1 January 2004 and 31 December 2004 should be consistent with estimates made for the same date under previous GAAP, unless there is evidence that those estimates were in error. Estimates made by the Group under previous GAAP at 1 January 2004 and 31 December 2004 are consistent with estimates under IFRS.

(d) Assets held for sale and discontinued operations exception

Management applies IFRS 5 prospectively from 1 January 2004, see Note 2.11.

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

5.2 Reconciliations between IFRS and GAAP

The following reconciliations provide a quantification of the effect of the transition to IFRS. The below reconciliations provide an overview of the impact on equity of the transition at 1 January 2004, 30 September 2004 and 31 December 2004 and impact on the balance sheet as at 31 December 2004. There was no effect on the income statement of the transition to IFRS other than a change in the presentation.

5.2.1 Summary of the effect of the transition to IFRS on equity

USD

	Note	Attributable to equity holders of the Company						Minority interest	Total equity
		Share capital	Share premium	Statutory revalua-tion reserve	Fair value reserve	Cumulative translation adjustment	Retained earnings		
Balance at 1 January 2004									
Under previous GAAP		181,366	216,986	109	12	3,286	(231,212)	-	170,547
Reclassification of minority interest to equity	5.2.2	-	-	-	-	-	-	906	906
Restatement of increase in share premium	5.2.2	-	(129,373)	-	-	-	129,373	-	-
Under IFRS		181,366	87,613	109	12	3,286	(101,839)	906	171,453
Balance at 30 September 2004									
Under previous GAAP		181,366	216,986	109	-	3,016	(72,689)	-	328,788
Reclassification of minority interest to equity	5.2.2	-	-	-	-	-	-	720	720
Restatement of increase in share premium	5.2.2	-	(129,373)	-	-	-	129,373	-	-
Increase in retained earnings by decreasing share premium	5.2.2	-	(14,861)	-	-	-	14,861	-	-
Under IFRS		181,366	72,752	109	-	3,016	71,545	720	329,508
Balance at 31 December 2004									
Under previous GAAP		181,366	216,986	109	-	4,344	29,891	-	432,696
Reclassification of minority interest to equity	5.2.2	-	-	-	-	-	-	686	686
Restatement of increase in share premium	5.2.2	-	(129,373)	-	-	-	129,373	-	-
Increase in retained earnings by decreasing share premium	5.2.2	-	(14,861)	-	-	-	14,861	-	-
Under IFRS		181,366	72,752	109	-	4,344	174,125	686	433,382

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

5.2.1 Summary of the effect of the transition to IFRS on equity (continued)

LTL

	Note	Attributable to equity holders of the Company						Minority interest	Total Equity
		Share capital	Share premium	Statutory revaluation reserve	Fair value reserve	Cumulative translation adjustment	Retained earnings		
Balance at 1 January 2004									
Under previous GAAP		707,454	859,979	437	35	(114,802)	(982,033)	-	471,070
Reclassification of minority interest to equity	5.2.2	-	-	-	-	-	-	2,502	2,502
Restatement of increase in share premium	5.2.2	-	(517,495)	-	-	-	517,495	-	-
Under IFRS		707,454	342,484	437	35	(114,802)	(464,538)	2,502	473,572
Balance at 30 September 2004									
Under previous GAAP		707,454	859,979	437	-	(112,476)	(533,831)	-	921,563
Reclassification of minority interest to equity	5.2.2	-	-	-	-	-	-	2,018	2,018
Restatement of increase in share premium	5.2.2	-	(517,495)	-	-	-	517,495	-	-
Increase in retained earnings by decreasing share premium	5.2.2	-	(59,444)	-	-	-	59,444	-	-
Under IFRS		707,454	283,040	437	-	(112,476)	43,108	2,018	923,581
Balance at 31 December 2004									
Under previous GAAP		707,454	859,979	437	-	(211,052)	(260,150)	-	1,096,668
Reclassification of minority interest to equity	5.2.2	-	-	-	-	-	-	1,739	1,739
Restatement of increase in share premium	5.2.2	-	(517,495)	-	-	-	517,495	-	-
Increase in retained earnings by decreasing share premium	5.2.2	-	(59,444)	-	-	-	59,444	-	-
Under IFRS		707,454	283,040	437	-	(211,052)	316,789	1,739	1,098,407

5.2.2 Explanation of the effect on equity of the transition to IFRS

During 2002 the share premium of the Company and the accumulated retained loss was subject to a statutory reduction amounting to USD 129,373 thousand (LTL 517,495 thousand). Under previous GAAP this reduction was not recognised. Under IFRS the reduction in the share premium was recognised as at 1 January 2004 by decreasing share premium and retained loss by USD 129,373 thousand (LTL 517,495 thousand).

In 2004 according to the resolution of the Company's shareholders share premium was reduced and retained earnings were increased by USD 14,861 thousand (LTL 59,444 thousand). Under previous GAAP this reduction was not recognised. Under IFRS the reduction in the share premium was recognised in 2004 by decreasing share premium and increasing retained earnings by USD 14,861 thousand (LTL 59,444 thousand).

Under previous GAAP minority interest was classified as a separate item in the balance sheet. Under IFRS it was reclassified to equity.

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

5.2.3 Summary of the effect of the transition to IFRS on the balance sheet

	Note	At 31 December 2004 USD			At 31 December 2004 LTL		
ASSETS		**GAAP**	**Effect of transition to IFRS**	**IFRS**	**GAAP**	**Effect of transition to IFRS**	**IFRS**
Non-current assets							
Property, plant and equipment	5.2.4 (a)	501,629	(3,818)	497,811	1,271,379	(9,677)	1,261,702
Intangible assets	5.2.4 (b)	4,812	(126)	4,686	12,197	(320)	11,877
Investment in associates		1,336	-	1,336	3,386	-	3,386
Deferred income tax assets		-	13	13	-	33	33
Available-for-sale financial assets		20	-	20	51	-	51
Non-current receivables and prepayments	5.2.4 (c)	5,578	3,944	9,522	14,138	9,997	24,135
Non-current portion of restricted cash	5.2.4 (d)	11,205	(11,205)	-	28,399	(28,399)	-
		524,580	(11,192)	513,388	1,329,550	(28,366)	1,301,184
Current assets							
Inventories		194,113	(267)	193,846	491,979	(677)	491,302
Trade and other receivables	5.2.4 (e)	136,102	1,069	137,171	344,952	2,709	347,661
Prepaid current income tax		66	-	66	168	-	168
Current portion of deferred income tax asset		13	(13)	-	33	(33)	-
Cash and cash equivalents	5.2.4 (d)	382,514	11,205	393,719	969,482	28,399	997,881
		712,808	11,994	724,802	1,806,614	30,398	1,837,012
Non-current assets classified as held for sale		-	267	267	-	677	677
		712,808	12,261	725,069	1,806,614	31,075	1,837,689
Total assets		1,237,388	1,069	1,238,457	3,136,164	2,709	3,138,873
EQUITY							
Capital and reserves attributable to the Company's equity holders							
Share capital		181,366	-	181,366	707,454	-	707,454
Share premium	5.2.2	216,986	(144,234)	72,752	859,979	(576,939)	283,040
Reserves		109	-	109	437	-	437
Cumulative translation adjustment		4,344	-	4,344	(211,052)	-	(211,052)
Retained earnings	5.2.2	29,891	144,234	174,125	(260,150)	576,939	316,789
		432,696	-	432,696	1,096,668	-	1,096,668
Minority interest		686	-	686	1,739	-	1,739
Total equity		433,382	-	433,382	1,098,407	-	1,098,407
LIABILITIES							
Non-current liabilities							
Borrowings		465,916	-	465,916	1,180,865	-	1,180,865
Other non-current liabilities		4,985	-	4,985	12,634	-	12,634
		470,901	-	470,901	1,193,499	-	1,193,499
Current liabilities							
Trade and other payables		264,966	-	264,966	671,561	-	671,561
Current income tax liabilities		53,286	-	53,286	135,053	-	135,053
Borrowings		11,953	-	11,953	30,294	-	30,294
Provisions	5.2.4 (e)	2,900	1,069	3,969	7,350	2,709	10,059
		333,105	1,069	334,174	844,258	2,709	846,967
Total liabilities		804,006	1,069	805,075	2,037,757	2,709	2,040,466
Total equity and liabilities		1,237,388	1,069	1,238,457	3,136,164	2,709	3,138,873

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

5.2.4 Explanation of the effect on the balance sheet of the transition to IFRS

The following explains the material adjustments to the balance sheet

(a) Property, plant and equipment

	USD	LTL
Reclassification of software to intangible assets	(3,436)	(8,709)
Reclassification of prepayments for PPE to non-current receivables and prepayments	(382)	(968)
Total impact – decrease in PPE	(3,818)	(9,677)

(b) Intangible assets

	USD	LTL
Reclassification of software from PPE	3,436	8,709
Reclassification of prepayments for intangible assets	(3,562)	(9,029)
Total impact – decrease in intangible assets	(126)	(320)

(c) Non-current receivables and prepayments

	USD	LTL
Reclassification of prepayments from PPE	382	968
Reclassification of prepayments from intangible assets	3,562	9,029
Total impact – increase in non-current receivables and prepayments	3,944	9,997

(d) Non-current portion of restricted cash

	USD	LTL
Reclassification of non-current portion of restricted cash to cash and cash equivalents	(11,205)	(28,399)
Total impact – decrease in non-current portion of restricted cash	(11,205)	(28,399)

Restricted cash under GAAP represented cash received from Yukos Oil Company OAO under a loan agreement for financing of the oil refinery modernisation project. This loan was refinanced by Vilniaus Bankas AB, but the same restrictions applied. Under IFRS the cash balance was reclassified to cash and cash equivalents balance under current assets.

(e) Provisions

	USD	LTL
Reclassification of claims from customers from trade and other receivables to provisions	(1,069)	(2,709)
Total impact – increase in trade and other receivables	(1,069)	(2,709)

The provision represents provision for the probable claims from the customers of the Group related to the reinvoiced taxes which were not subsequently paid by the Group to the tax authorities.

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

5.2.5 Reconciliation of cash flows for the nine months ended 30 September 2004

	9 months ended 30 September 2004 USD			9 months ended 30 September 2004 LTL		
	GAAP	**Effect of transition to IFRS**	**IFRS**	**GAAP**	**Effect of transition to IFRS**	**IFRS**
Cash flows from operating activities						
Cash generated from operations	215,148	(2,113)	213,035	611,229	(5,870)	605,359
Interest paid	(19,863)	-	(19,863)	(55,961)	-	(55,961)
Income tax paid	-	-	-	-	-	-
Net cash generated from operating activities	195,285	(2,113)	193,172	555,268	(5,870)	549,398
Cash flows from investing activities						
Purchases of property, plant and equipment (PPE)	(18,373)	-	(18,373)	(51,317)	-	(51,317)
Proceeds from sale of PPE	1,074	-	1,074	3,043	-	3,043
Interest received	-	2,056	2,056	-	5,818	5,818
Proceeds from sale of available-for-sale financial assets	227	-	227	640	-	640
Net cash used in investing activities	(17,072)	2,056	(15,016)	(47,634)	5,818	(41,816)
Cash flows from financing activities						
Proceeds from borrowings	30	(21)	9	50	(50)	-
Repayments of borrowings	(9,003)	-	(9,003)	(25,806)	-	(25,806)
Finance lease principal payments	(386)	-	(386)	(1,090)	-	(1,090)
Change in long-term accounts receivable	(57)	57	-	(52)	52	-
Net cash used in financing activities	(9,416)	36	(9,380)	(26,898)	2	(26,896)
Net increase in cash and bank overdrafts	168,797	(21)	168,776	480,736	(50)	480,686
Cash and bank overdrafts at beginning of period	132,355	(163)	132,192	365,578	(450)	365,128
Exchange gains on cash and bank overdrafts	1,263	6	1,269	1,324	1	1,325
Cash and bank overdrafts at end of period	302,415	(178)	302,237	847,638	(499)	847,139

The main IFRS transition effect presented by the Group in its statement of cash flow for the nine months ended 30 September 2004, was:

- under GAAP, borrowings included 'Bank overdrafts'. 'Bank overdrafts' under IFRS should be classified as part of 'Cash and cash equivalents' for the purposes of the cashflow statement because they form an integral part of the entity's cash management.

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

6. Segment information

(a) Primary reporting format – business segments

The Group has four reportable segments: oil refinery, oil terminal, pipeline operator and operator of petrol stations chain. The oil refinery produces different grades of high octane unleaded gasoline, diesel, jet fuel, bitumen, LPG and sulphur. The Group owns an import-export oil terminal in Būtingė on the Baltic sea coast. The pipeline segment consists of part of the Druzhba pipeline in the territory of the Republic of Lithuania and a pipeline connecting the Biržai pumping station with the oil refinery and the oil terminal. The pipeline operator transports crude oil to the oil refinery and terminal in Būtingė and crude oil and refined oil products to a terminal in Ventspils, Latvia. The Group owns approximately 30 petrol stations in Lithuania.

The Group allocates costs between segments directly.

The segment results for three months ended 30 September 2005 are as follows:

USD

	Oil refinery	**Oil terminal**	**Pipeline**	**Petrol stations**	**Other**	**Group**
Total gross segment sales	1,069,610	7,698	7,262	9,727	339	1,094,636
Inter-segment sales	(5,053)	-	-	-	(330)	(5,383)
Sales	1,064,557	7,698	7,262	9,727	9	1,089,253
Operating profit / segment result	108,742	2,037	4,656	(366)	(274)	114,795
Finance costs						(7,668)
Share of profit of associates (Note 10)	1	-	-	-	-	1
Profit before income tax						107,128
Income tax expense						3,492
Profit for the period						110,620

LTL

	Oil refinery	**Oil terminal**	**Pipeline**	**Petrol stations**	**Other**	**Group**
Total gross segment sales	3,025,499	21,775	20,541	27,514	958	3,096,287
Inter-segment sales	(14,293)	-	-	-	(933)	(15,226)
Sales	3,011,206	21,775	20,541	27,514	25	3,081,061
Operating profit / segment result	307,590	5,762	13,170	(1,035)	(775)	324,712
Finance costs						(21,693)
Share of profit of associates (Note 10)	3	-	-	-	-	3
Profit before income tax						303,022
Income tax expense						9,877
Profit for the period						312,899

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

6. Segment information (continued)

The segment results for nine months ended 30 September 2005 are as follows:

USD

	Oil refinery	Oil terminal	Pipeline	Petrol stations	Other	Group
Total gross segment sales	2,829,529	21,660	20,817	22,501	932	2,895,439
Inter-segment sales	(11,348)	-	-	-	(923)	(12,271)
Sales	2,818,181	21,660	20,817	22,501	9	2,883,168
Operating profit / segment result	308,729	4,675	13,013	(866)	(790)	324,761
Finance costs						(23,396)
Share of profit of associates (Note 10)	64	-	-	-	-	64
Profit before income tax						301,429
Income tax expense						(20,155)
Profit for the period						281,274

LTL

	Oil refinery	Oil terminal	Pipeline	Petrol stations	Other	Group
Total gross segment sales	7,752,945	59,279	56,952	61,827	2,551	7,933,554
Inter-segment sales	(31,202)	-	-	-	(2,526)	(33,728)
Sales	7,721,743	59,279	56,952	61,827	25	7,899,826
Operating profit / segment result	847,941	12,840	35,614	(2,388)	(2,161)	891,846
Finance costs						(63,768)
Share of profit of associates (Note 10)	173	-	-	-	-	173
Profit before income tax						828,251
Income tax expense						(53,582)
Profit for the period						774,669

The segment results for three months ended 30 September 2004 are as follows:

USD

	Oil refinery	Oil terminal	Pipeline	Petrol stations	Other	Group
Total gross segment sales	793,738	8,649	7,205	5,767	400	815,759
Inter-segment sales	(2,818)	-	-	-	(348)	(3,166)
Sales	790,920	8,649	7,205	5,767	52	812,593
Operating profit / segment result	93,467	3,087	4,574	(1,000)	(447)	99,681
Finance costs						(5,160)
Share of loss of associates (Note 10)	(25)	-	-	-	-	(25)
Profit before income tax						94,496
Income tax expense						(18,388)
Profit for the period						76,108

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

6. Segment information (continued)

LTL

	Oil refinery	Oil terminal	Pipeline	Petrol stations	Other	Group
Total gross segment sales	2,253,624	24,780	20,550	16,397	1,139	2,316,490
Inter-segment sales	(8,021)	-	-	-	(991)	(9,012)
Sales	2,245,603	24,780	20,550	16,397	148	2,307,478
Operating profit / segment result	263,831	8,996	13,072	(2,816)	(1,248)	281,835
Finance costs						(14,318)
Share of loss of associates (Note 10)	(70)	-	-	-	-	(70)
Profit before income tax						267,447
Income tax expense						(51,575)
Profit for the period						215,872

The segment results for nine months ended 30 September 2004 are as follows:

USD

	Oil refinery	Oil terminal	Pipeline	Petrol stations	Other	Group
Total gross segment sales	1,835,979	35,979	22,837	14,346	1,103	1,910,244
Inter-segment sales	(6,967)	-	-	-	(823)	(7,790)
Sales	1,829,012	35,979	22,837	14,346	280	1,902,454
Operating profit / segment result	176,381	17,122	14,174	(2,145)	(198)	205,334
Finance costs						(19,332)
Share of loss of associates (Note 10)	(42)	-	-	-	-	(42)
Profit before income tax						185,960
Income tax expense						(27,612)
Profit for the period						158,348

LTL

	Oil refinery	Oil terminal	Pipeline	Petrol stations	Other	Group
Total gross segment sales	5,182,947	101,594	64,485	40,509	3,115	5,392,650
Inter-segment sales	(19,672)	-	-	-	(2,325)	(21,997)
Sales	5,163,275	101,594	64,485	40,509	790	5,370,653
Operating profit / segment result	497,643	48,424	40,048	(6,023)	(555)	579,537
Finance costs						(54,091)
Share of loss of associates (Note 10)	(118)	-	-	-	-	(118)
Profit before income tax						525,328
Income tax expense						(77,619)
Profit for the period						447,709

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

6. Segment information (continued)

Other segment items included in the income statement are as follows:

USD	3 months ended 30 September 2005					
	Oil refinery	**Oil terminal**	**Pipeline**	**Petrol stations**	**Other**	**Group**
Depreciation	5,630	2,133	638	632	30	9,063
Amortisation	325	10	-	9	3	347
Impairment loss	931	-	-	-	-	931

LTL	3 months ended 30 September 2005					
	Oil refinery	**Oil terminal**	**Pipeline**	**Petrol stations**	**Other**	**Group**
Depreciation	15,925	6,033	1,805	1,788	85	25,636
Amortisation	921	28	-	25	8	982
Impairment loss	2,633	-	-	-	-	2,633

USD	9 months ended 30 September 2005					
	Oil refinery	**Oil terminal**	**Pipeline**	**Petrol stations**	**Other**	**Group**
Depreciation (Note 7)	17,250	6,526	2,165	1,997	100	28,038
Amortisation (Note 8)	972	30	-	27	9	1,038
Impairment loss (Note 7)	931	-	-	-	-	931
Reversal of impairment loss (Note 7)	124	-	-	1,287	-	1,411

LTL	9 months ended September 2005					
	Oil refinery	**Oil terminal**	**Pipeline**	**Petrol stations**	**Other**	**Group**
Depreciation (Note 7)	47,083	17,817	5,900	5,447	273	76,520
Amortisation (Note 8)	2,658	81	-	73	24	2,836
Impairment loss (Note 7)	2,633	-	-	-	-	2,633
Reversal of impairment loss (Note 7)	339	-	-	3,382	-	3,721

USD	3 months ended 30 September 2004					
	Oil refinery	**Oil terminal**	**Pipeline**	**Petrol stations**	**Other**	**Group**
Depreciation	5,782	1,918	1,064	439	31	9,234
Amortisation	301	12	-	5	3	321

LTL	3 months ended 30 September 2004					
	Oil refinery	**Oil terminal**	**Pipeline**	**Petrol stations**	**Other**	**Group**
Depreciation	16,345	5,422	3,008	1,241	88	26,104
Amortisation	851	34	-	14	8	907

USD	9 months ended 30 September 2004					
	Oil refinery	**Oil terminal**	**Pipeline**	**Petrol stations**	**Other**	**Group**
Depreciation (Note 7)	17,327	5,459	3,261	1,319	98	27,464
Amortisation (Note 8)	917	19	-	11	7	954
Impairment loss (Note 7)	472	-	-	-	-	472

LTL	9 months ended 30 September 2004					
	Oil refinery	**Oil terminal**	**Pipeline**	**Petrol stations**	**Other**	**Group**
Depreciation (Note 7)	48,823	15,384	9,189	3,717	276	77,389
Amortisation (Note 8)	2,584	54	-	31	19	2,688
Impairment loss (Note 7)	1,328	-	-	-	-	1,328

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

6. Segment information (continued)

Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

The segment assets and liabilities as at 30 September 2005 and capital expenditure for nine months then ended are as follows:

USD

	Oil refinery	Oil terminal	Pipeline	Petrol stations	Other	Unallocated	Group
Assets	1,398,026	223,613	13,615	22,070	838	22,525	1,680,687
Associates	1,244	-	-	-	-	-	1,244
Total assets	1,399,270	223,613	13,615	22,070	838	22,525	1,681,931
Liabilities	931,976	26,505	532	2,097	99	100,976	1,062,185
Capital expenditure (Notes 7 and 8)	28,337	1,305	676	516	38	-	30,872

LTL

	Oil refinery	Oil terminal	Pipeline	Petrol stations	Other	Unallocated	Group
Assets	4,000,731	639,913	38,962	63,158	2,398	64,460	4,809,622
Associates	3,560	-	-	-	-	-	3,560
Total assets	4,004,291	639,913	38,962	63,158	2,398	64,460	4,813,182
Liabilities	2,667,019	75,848	1,522	6,001	283	288,963	3,039,636
Capital expenditure (Notes 7 and 8)	76,960	3,544	1,836	1,401	103	-	83,844

The segment assets and liabilities at 31 December 2004 and capital expenditure for nine months ended on 30 September 2004 are as follows:

USD

	Oil refinery	Oil terminal	Pipeline	Petrol stations	Other	Unallocated	Group
Assets	970,027	224,131	17,665	24,251	948	99	1,237,121
Associates	1,336	-	-	-	-	-	1,336
Total assets	971,363	224,131	17,665	24,251	948	99	1,238,457
Liabilities	665,495	33,196	539	8,419	95	97,331	805,075
Capital expenditure (Notes 7 and 8)	13,167	1,834	502	1,386	35	-	16,924

LTL

	Oil refinery	Oil terminal	Pipeline	Petrol stations	Other	Unallocated	Group
Assets	2,458,535	568,061	44,772	61,464	2,403	252	3,135,487
Associates	3,386	-	-	-	-	-	3,386
Total assets	2,461,921	568,061	44,772	61,464	2,403	252	3,138,873
Liabilities	1,686,700	84,135	1,366	21,338	241	246,686	2,040,466
Capital expenditure (Notes 7 and 8)	37,045	5,258	1,381	3,906	98	-	47,688

Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, receivables and operating cash. They exclude deferred taxation, prepaid income tax and available-for-sale financial assets.

Segment liabilities comprise operating liabilities. They exclude items such as income tax and other taxation.

Capital expenditure comprises additions to property, plant and equipment (Note 7) and intangible assets (Note 8).

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

6. Segment information (continued)

(b) Secondary reporting format – geographical segments

The home-country of the Company – which is also the main operating company – is Lithuania.

	2005				2004			
	3 months ended 30 September		9 months ended 30 September		3 months ended 30 September		9 months ended 30 September	
Sales	**USD**	**LTL**	**USD**	**LTL**	**USD**	**LTL**	**USD**	**LTL**
Lithuania	279,796	791,431	624,596	1,717,623	165,068	468,735	377,371	1,065,439
Switzerland	168,075	475,417	397,268	1,091,069	87,277	247,836	178,000	502,823
Latvia	103,036	291,448	227,871	626,779	106,922	303,621	179,476	507,545
Estonia	80,713	228,305	192,782	529,342	46,704	132,623	102,238	288,707
Poland	85,555	242,001	179,565	494,531	70,831	201,135	115,969	328,000
UK	36,586	103,487	179,217	486,618	24,934	70,804	235,209	661,805
Norway	26,018	73,595	170,593	461,948	52,393	148,778	111,415	314,666
Belgium	22,306	63,095	114,236	310,035	-	-	-	-
USA	33,907	95,909	110,686	302,153	131,658	373,862	263,352	744,003
Finland	37,672	106,559	103,166	282,487	6,187	17,569	49,550	139,443
Canada	78,097	220,905	101,951	284,981	28,418	80,697	28,421	80,705
Germany	2,677	7,572	94,201	253,421	16,071	45,636	34,308	96,893
Netherlands	46,739	132,206	89,686	247,566	35,743	101,498	87,819	247,866
Spain	7,879	22,287	82,259	222,085	-	-	-	-
Ukraine	29,488	83,410	60,276	166,112	15,393	43,711	30,274	85,536
Other countries	50,709	143,434	154,815	423,076	24,994	70,973	109,052	307,222
	1,089,253	3,081,061	2,883,168	7,899,826	812,593	2,307,478	1,902,454	5,370,653

Sales are allocated based on the country in which the customers are located.

	At 30 September 2005		At 31 December 2004	
Total assets	**USD**	**LTL**	**USD**	**LTL**
Lithuania	1,547,584	4,428,721	1,172,605	2,971,970
Other countries	110,578	316,441	64,417	163,265
	1,658,162	4,745,162	1,237,022	3,135,235
Associates (Note 10)	1,244	3,560	1,336	3,386
Unallocated assets	22,525	64,460	99	252
	1,681,931	4,813,182	1,238,457	3,138,873

Total assets are allocated based on where the assets are located.

	2005				2004			
	3 months ended 30 September		9 months ended 30 September		3 months ended 30 September		9 months ended 30 September	
Capital expenditure	**USD**	**LTL**	**USD**	**LTL**	**USD**	**LTL**	**USD**	**LTL**
Lithuania	7,634	21,649	30,750	83,509	4,245	12,017	16,684	47,012
Other countries	25	71	122	335	140	395	240	676
	7,659	21,720	30,872	83,844	4,385	12,412	16,924	47,688

Capital expenditure is allocated based on where the assets are located.

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

6. Segment information (continued)

Analysis of sales by category:

	2005				2004			
	3 months ended 30 September		9 months ended 30 September		3 months ended 30 September		9 months ended 30 September	
	USD	LTL	USD	LTL	USD	LTL	USD	LTL
Sales of goods	1,073,066	3,035,274	2,837,303	7,774,258	794,421	2,255,875	1,839,296	5,192,611
Revenue from services	16,187	45,787	45,865	125,568	18,172	51,603	63,158	178,042
	1,089,253	3,081,061	2,883,168	7,899,826	812,593	2,307,478	1,902,454	5,370,653

7. Property, plant and equipment

USD

	Land and buildings	Plant and machinery	Other property, plant and equipment	Construction in progress	Total
At 1 January 2004					
Cost	88,402	633,528	74,595	51,283	847,808
Accumulated depreciation and impairment	(29,425)	(263,031)	(29,482)	-	(321,938)
Net book amount	58,977	370,497	45,113	51,283	525,870
Nine months ended 30 September 2004					
Opening net amount at 1 January 2004	58,977	370,497	45,113	51,283	525,870
Exchange differences	(168)	(92)	(27)	(5)	(292)
Additions	29	7,006	5,366	4,072	16,473
Disposals	(727)	(47)	(326)	-	(1,100)
Retirements	(1,443)	(199)	(33)	(5)	(1,680)
Reclassifications	664	23,989	145	(24,798)	-
Reclassification to other assets	-	-	-	(866)	(866)
Impairment charge	(60)	(158)	-	(254)	(472)
Depreciation charge	(1,762)	(21,393)	(4,309)	-	(27,464)
Closing net amount at 30 September 2004	55,510	379,603	45,929	29,427	510,469
Three months ended 31 December 2004					
Opening net amount at 1 October 2004	55,510	379,603	45,929	29,427	510,469
Exchange differences	1,140	740	288	37	2,205
Additions	66	3,609	1,319	4,762	9,756
Disposals	-	(36)	(213)	-	(249)
Retirements	(817)	(185)	(403)	(3,325)	(4,730)
Reclassifications	445	2,668	3	(3,116)	-
Reclassification to other assets	(109)	-	(8)	(115)	(232)
Impairment charge	-	-	-	(9,841)	(9,841)
Depreciation charge	(588)	(7,317)	(1,662)	-	(9,567)
Closing net amount at 31 December 2004	55,647	379,082	45,253	17,829	497,811

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

7. Property, plant and equipment (continued)

USD

	Land and buildings	Plant and machinery	Other property, plant and equipment	Construction in progress	Total
At 31 December 2004					
Cost	86,464	669,771	75,100	17,829	849,164
Accumulated depreciation and impairment	(30,817)	(290,689)	(29,847)	-	(351,353)
Net book amount	55,647	379,082	45,253	17,829	497,811
Nine months ended 30 September 2005					
Opening net amount at 1 January 2005	55,647	379,082	45,253	17,829	497,811
Exchange differences	(1,386)	(750)	(307)	(25)	(2,468)
Additions	146	2,337	1,942	26,279	30,704
Disposals	(158)	(72)	(57)	-	(287)
Retirements	-	(382)	(2,154)	(820)	(3,356)
Reclassifications	680	4,038	592	(5,310)	-
Reversal of impairment charge	1,411	-	-	-	1,411
Impairment charge	-	-	-	(931)	(931)
Depreciation charge	(1,817)	(21,472)	(4,749)	-	(28,038)
Closing net amount at 30 September 2005	54,523	362,781	40,520	37,022	494,846
At 30 September 2005					
Cost	82,891	666,945	75,346	37,022	862,204
Accumulated depreciation and impairment	(28,368)	(304,164)	(34,826)	-	(367,358)
Net book amount	54,523	362,781	40,520	37,022	494,846

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

7. Property, plant and equipment (continued)

LTL

	Land and buildings	Plant and machinery	Other property, plant and equipment	Construction in progress	Total
At 1 January 2004					
Cost	244,175	1,749,868	206,039	141,649	2,341,731
Accumulated depreciation and impairment	(81,275)	(726,518)	(81,432)	-	(889,225)
Net book amount	162,900	1,023,350	124,607	141,649	1,452,506
Nine months ended 30 September 2004					
Opening net amount at 1 January 2004	162,900	1,023,350	124,607	141,649	1,452,506
Exchange differences	3,906	27,856	3,342	3,415	38,519
Additions	82	19,741	15,120	11,474	46,417
Disposals	(2,299)	(132)	(919)	-	(3,350)
Retirements	(3,815)	(561)	(93)	(14)	(4,483)
Reclassifications	1,871	67,594	409	(69,874)	-
Reclassification to other assets	-	-	-	(2,436)	(2,436)
Impairment charge	(169)	(444)	-	(715)	(1,328)
Depreciation charge	(4,966)	(60,281)	(12,142)	-	(77,389)
Closing net amount at 30 September 2004	157,510	1,077,123	130,324	83,499	1,448,456
Three months ended 31 December 2004					
Opening net amount at 1 October 2004	157,510	1,077,123	130,324	83,499	1,448,456
Exchange differences	(13,785)	(112,379)	(13,006)	(7,154)	(146,324)
Additions	181	9,653	3,529	13,112	26,475
Disposals	-	(96)	(566)	-	(662)
Retirements	(2,226)	(496)	(1,124)	(9,133)	(12,979)
Reclassifications	1,227	6,537	6	(7,770)	-
Reclassification to other assets	(300)	-	(22)	(316)	(638)
Impairment charge	-	-	-	(27,051)	(27,051)
Depreciation charge	(1,570)	(19,558)	(4,447)	-	(25,575)
Closing net amount at 31 December 2004	141,037	960,784	114,694	45,187	1,261,702

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

7. Property, plant and equipment (continued)

LTL

	Land and buildings	Plant and machinery	Other property, plant and equipment	Construction in progress	Total
At 31 December 2004					
Cost	219,143	1,697,535	190,341	45,187	2,152,206
Accumulated depreciation and impairment	(78,106)	(736,751)	(75,647)	-	(890,504)
Net book amount	141,037	960,784	114,694	45,187	1,261,702
Nine months ended 30 September 2005					
Opening net amount at 1 January 2005	141,037	960,784	114,694	45,187	1,261,702
Exchange differences	14,499	119,300	13,356	9,259	156,414
Additions	385	6,531	5,358	71,123	83,397
Disposals	(440)	(204)	(162)	-	(806)
Retirements	-	(1,061)	(5,896)	(2,218)	(9,175)
Reclassifications	1,790	11,427	1,556	(14,773)	-
Reversal of impairment charge	3,721	-	-	-	3,721
Impairment charge	-	-	-	(2,633)	(2,633)
Depreciation charge	(4,964)	(58,606)	(12,950)	-	(76,520)
Closing net amount at 30 September 2005	156,028	1,038,171	115,956	105,945	1,416,100
At 30 September 2005					
Cost	237,209	1,908,597	215,618	105,945	2,467,369
Accumulated depreciation and impairment	(81,181)	(870,426)	(99,662)	-	(1,051,269)
Net book amount	156,028	1,038,171	115,956	105,945	1,416,100

Reversal of impairment loss of USD 1,411 thousand or LTL 3,721 thousand and impairment charge of USD 931 thousand or LTL 2,633 thousand is included in administrative expenses in the income statement.

Depreciation expense has been allocated as follows:

	2005				2004			
	3 months ended 30 September		9 months ended 30 September		3 months ended 30 September		9 months ended 30 September	
	USD	LTL	USD	LTL	USD	LTL	USD	LTL
Cost of goods sold	7,314	20,689	22,555	61,562	7,695	21,754	22,775	64,177
Selling and marketing costs	1,369	3,872	4,243	11,578	1,026	2,900	3,057	8,614
Administrative expenses	380	1,075	1,240	3,380	513	1,450	1,632	4,598
	9,063	25,636	28,038	76,520	9,234	26,104	27,464	77,389

As at 31 December 2004 land and buildings for the net book value USD 21,325 thousand or LTL 54,048 thousand were provided as collateral for bank borrowings (Note 19).

No borrowing costs were capitalised during the nine month period ended 30 September 2005 and the year ended 31 December 2004.

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

7. Property, plant and equipment (continued)

The net book value of leased assets included in the table above, where the Group is a lessee under a finance lease:

	30 September 2005		At 31 December 2004	
	USD	LTL	USD	LTL
Land and building	1,038	2,970	713	1,807
Plant and machinery	474	1,356	862	2,185
Other PPE	31	89	40	101
	1,543	4,415	1,615	4,093

8. Intangible assets

USD

	Software	Patents and licences	Total
At 1 January 2004			
Cost	7,302	5,906	13,208
Accumulated amortisation	(3,673)	(4,452)	(8,125)
Net book amount	3,629	1,454	5,083
Nine months ended 30 September 2004			
Opening net amount at 1 January 2004	3,629	1,454	5,083
Exchange differences	-	-	-
Additions	451	-	451
Reclassifications from other assets	154	-	154
Amortisation charge	(688)	(266)	(954)
Closing net amount at 30 September 2004	3,546	1,188	4,734
Three months ended 31 December 2004			
Opening net amount at 1 October 2004	3,546	1,188	4,734
Exchange differences	9	-	9
Additions	54	151	205
Reclassifications from other assets	67	-	67
Amortisation charge	(240)	(89)	(329)
Closing net amount at 31 December 2004	3,436	1,250	4,686
At 31 December 2004			
Cost	7,952	6,057	14,009
Accumulated amortisation	(4,516)	(4,807)	(9,323)
Net book amount	3,436	1,250	4,686
Nine months ended 30 September 2005			
Opening net amount at 1 January 2005	3,436	1,250	4,686
Exchange differences	(13)	-	(13)
Additions	168	-	168
Amortisation charge	(732)	(306)	(1,038)
Closing net amount at 30 September 2005	2,859	944	3,803
At 30 September 2005			
Cost	8,023	6,057	14,080
Accumulated amortisation	(5,164)	(5,113)	(10,277)
Net book amount	2,859	944	3,803

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

8. Intangible assets

LTL	Software	Patents and licences	Total
At 1 January 2004			
Cost	20,169	16,314	36,483
Accumulated amortisation	(10,145)	(12,297)	(22,442)
Net book amount	10,024	4,017	14,041
Nine months ended 30 September 2004			
Opening net amount at 1 January 2004	10,024	4,017	14,041
Exchange differences	267	104	371
Additions	1,271	-	1,271
Reclassifications from other assets	437	-	437
Amortisation charge	(1,938)	(750)	(2,688)
Closing net amount at 30 September 2004	10,061	3,371	13,432
Three months ended 31 December 2004			
Opening net amount at 1 October 2004	10,061	3,371	13,432
Exchange differences	(1,012)	(379)	(1,391)
Additions	131	415	546
Reclassifications from other assets	170	-	170
Amortisation charge	(642)	(238)	(880)
Closing net amount at 31 December 2004	8,708	3,169	11,877
At 31 December 2004			
Cost	20,154	15,352	35,506
Accumulated amortisation	(11,446)	(12,183)	(23,629)
Net book amount	8,708	3,169	11,877
Nine months ended 30 September 2005			
Opening net amount at 1 January 2005	8,708	3,169	11,877
Exchange differences	1,026	368	1,394
Additions	447	-	447
Amortisation charge	(2,000)	(836)	(2,836)
Closing net amount at 30 September 2005	8,181	2,701	10,882
At 30 September 2005			
Cost	22,959	17,333	40,292
Accumulated amortisation	(14,778)	(14,632)	(29,410)
Net book amount	8,181	2,701	10,882

Amortisation expense has been allocated as follows:

	2005				2004			
	3 months ended 30 September		9 months ended 30 September		3 months ended 30 September		9 months ended 30 September	
	USD	LTL	USD	LTL	USD	LTL	USD	LTL
Cost of goods sold	119	337	359	980	199	562	405	1,142
Selling and marketing costs	11	31	34	93	8	23	18	51
Administrative expenses	217	614	645	1,763	114	322	531	1,495
	347	982	1,038	2,836	321	907	954	2,688

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

8. Intangible assets (continued)

The Group does not have internally generated intangible assets.

In 2005 the Group was issued allowances by the Government of the Republic of Lithuania to emit 6,622,887 tons of carbon dioxide in 2005 – 2007. In the balance sheet the Group recognised allowances and the related government grant at a nominal amount, i.e. zero. The market value of allowances amounted to USD 181,281 thousand or LTL 518,772 thousand as at 30 September 2005.

9. Goodwill

	USD	LTL
At 1 January 2005	-	-
Acquisition of share in subsidiary (Note 32)	444	1,183
Exchange differences	(31)	-
At 30 September 2005	413	1,183

There were no movements in goodwill during the year ended 31 December 2004.

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to business segment. All goodwill amounting to USD 413 thousand or LTL 1,183 thousand as at 30 September 2005 was allocated to the petrol stations business segment and the Lithuania geographical segment. The Group tests goodwill for impairment annually at 31 December.

10. Investments in associates

	USD	LTL
At 1 January 2004	1,391	3,842
Share of (loss) after tax	(42)	(118)
Exchange differences	(20)	1
At 30 September 2004	1,329	3,725
Share of (loss) after tax	(121)	(335)
Exchange differences	128	(4)
At 1 January 2005	1,336	3,386
Share of profit after tax	64	173
Exchange differences	(156)	1
At 30 September 2005	1,244	3,560

Investments in associates represent investment in a 34% interest held in Naftelf UAB, incorporated in Lithuania.

The summarised financial information of the associate which is unlisted is as follows:

	At 30 September 2005		**At 31 December 2004**	
	USD	**LTL**	**USD**	**LTL**
Assets	4,543	13,000	4,940	12,521
Liabilities	885	2,531	987	2,501

	2005				**2004**			
	3 months ended 30 September		**9 months ended 30 September**		**3 months ended 30 September**		**9 months ended 30 September**	
	USD	**LTL**	**USD**	**LTL**	**USD**	**LTL**	**USD**	**LTL**
Revenues	6,922	19,579	17,722	48,683	3,432	9,643	8,094	22,442
Profit/(loss)	66	186	229	626	(71)	(200)	(121)	(341)

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

11. Non-current receivables and prepayments

	30 September 2005		31 December 2004	
	USD	LTL	USD	LTL
Trade receivables	2,165	6,196	2,899	7,346
Less provision for impairment of receivables	(1,394)	(3,989)	(1,683)	(4,266)
Trade receivables – net	771	2,207	1,216	3,080
Reimbursement for environmental obligations receivable from the Government of Lithuania (Note 21)	11,031	31,567	-	-
Prepayments for PPE and intangible assets	7,970	22,808	3,944	9,997
Prepayment for real estate tax	1,862	5,328	4,469	11,326
Loans to employees	270	773	334	847
Other non-current receivables	191	547	151	384
Discounting effect	(393)	(1,125)	(592)	(1,499)
	21,702	62,105	9,522	24,135

The fair values of non-current receivables and prepayments approximate their carrying values.

12. Inventories

	30 September 2005		31 December 2004	
	USD	LTL	USD	LTL
Raw and supplementary materials (at cost)	4,368	12,500	64,774	164,170
Raw and supplementary materials (at net realisable value)	54,136	154,921	-	-
Finished goods and goods for resale (at cost)	169,914	486,243	96,008	243,331
Finished goods and goods for resale (at net realisable value)	425	1,216	644	1,632
Semi-finished goods (at cost)	17,683	50,603	6,319	16,015
Semi-finished goods (at net realisable value)	13,692	39,182	6,182	15,669
Spare parts and other (at cost)	18,856	53,961	19,919	50,485
	279,074	798,626	193,846	491,302

Semi-finished goods include oil products that are produced by the oil refinery and used in further stages of production. However, these products might also be sold in the market.

Inventory amounting to USD 90,000 thousand or LTL 257,553 thousand (December 2004: nil) is provided as collateral for bank borrowings (Note 19) and letters of credit and guarantees issued by the banks on behalf of the Group.

13. Trade and other receivables

	30 September 2005		31 December 2004	
	USD	LTL	USD	LTL
Trade receivables	96,503	276,163	67,520	171,130
Less provision for impairment of receivables	(15,783)	(45,167)	(16,066)	(40,720)
Trade receivables – net	80,720	230,996	51,454	130,410
Receivables from related parties (Note 33)	114,578	327,888	72,321	183,298
Prepaid and recoverable taxes	2,953	8,451	5,401	13,688
Accrued income and deferred charges	1,436	4,109	6,272	15,897
Other receivables	1,356	3,881	1,723	4,368
	201,043	575,325	137,171	347,661

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

13. Trade and other receivables (continued)

The fair values of trade and other receivables approximate their carrying values.

In 2005, the majority of sales of refined oil products, except for domestic sales and sales to Latvia, Estonia and Poland were made through sales commissioner Petroval PTE, an entity related to Yukos Group. Trade receivables from Petroval PTE amounted to USD 113,548 thousand or LTL 324,940 thousand as at 30 September 2005 (Note 33). Negative changes in relationships with Yukos Group could have an adverse impact on the recoverability of receivables. The management believes that all receivables outstanding will be collected.

Receivables amounting up to USD 14,200 thousand or LTL 40,636 thousand (December 2004: nil) are provided as collateral for letters of credit issued by the banks on behalf of the Group.

14. Cash and cash equivalents

	30 September 2005		31 December 2004	
	USD	LTL	USD	LTL
Cash at bank and in hand	604,532	1,729,989	253,525	642,693
Short-term bank deposits	52,743	150,935	140,194	355,188
	657,275	1,880,924	393,719	997,881

The effective interest rate on short-term bank deposits was 3.69% (December 2004: 2.55 %). These deposits have an average maturity of 20 days.

Cash at bank required to be maintained under the terms of letters of credit issued for settlements with suppliers is presented below:

	30 September 2005		31 December 2004	
	USD	LTL	USD	LTL
Cash held at banks to secure issued letters of credit	524,029	1,499,615	178,606	452,677
Cash held at banks to secure issued guaranties	6,033	17,264	-	-
	530,062	1,516,879	178,606	452,677

As at 31 December 2004 the Group had cash amounting USD 11,205 thousand or LTL 28,399 thousand received from Yukos Oil Company OAO under a loan agreement. These funds could be used only for financing of the oil refinery modernisation project. During the nine month period ended 30 September 2005 the Group used the whole amount.

Cash and bank overdrafts include the following for the purposes of the cash flow statement:

	30 September 2005		31 December 2004	
	USD	LTL	USD	LTL
Cash and cash equivalents	657,275	1,880,924	393,719	997,881
Bank overdrafts (Note 19)	(60,000)	(171,702)	(80)	(200)
	597,275	1,709,222	393,639	997,681

Cash at bank amounting to USD 4,193 thousand or LTL 12,000 thousand (December 2004: nil) is provided as collateral for letters of credit and guarantees issued by the banks on behalf of the Group.

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

15. Share capital

As at 30 September 2005, the Company's authorised share capital comprised 707,454,130 (December 2004: 707,454,130) ordinary registered shares with a par value of LTL 1 per share. There were no movements in number of shares outstanding during 2005 and 2004. All issued shares are fully paid.

16. Reserves

A legal reserve is a compulsory reserve under Lithuanian and Estonian legislation. Annual transfer of 5% of profit available for distribution is compulsory until the reserve reaches 10% of the share capital. The legal reserve cannot be distributed as dividends and is formed to cover future losses. In Estonia the legal reserve can be also used to increase share capital. As at 30 September 2005 the legal reserve amounted to USD 13,194 thousand or LTL 35,264 thousand (December 2004: nil).

As a result of revaluation of property, plant and equipment performed in 1992 - 1996 using the indexation rates established by the Government of the Republic of Lithuania, the statutory revaluation reserve of USD 115,090 thousand or LTL 460,360 thousand was formed. The Company increased share capital by transferring USD 114,981 thousand or LTL 452,923 thousand from statutory revaluation reserve into the share capital. As at 30 September 2005 the remaining balance of statutory revaluation reserve amounted to USD 109 thousand or LTL 437 thousand (December 2004: USD 109 thousand or LTL 437 thousand).

17. Other non-current liabilities

	30 September 2005		31 December 2004	
	USD	LTL	USD	LTL
Long-term employee benefits	2,396	6,857	-	-
Government grant relating to purchases of PPE	4,970	14,223	4,985	12,634
	7,366	21,080	4,985	12,634

Long-term employee benefits include bonuses and paid leave provided to the employees of the Group companies based on the years of service.

Government grant relating to purchases of PPE includes financing of USD 4,963 thousand or LTL 14,203 thousand (December 2004: USD 4,963 thousand or LTL 12,579 thousand) received from the Government of Lithuania for construction of apartment blocks for Russian citizens in Vsevolotzk, St. Petersburg. The Government of Lithuania fully financed the construction of these apartment blocks as a part of an agreement to enable Russian citizens (former employees of Oil refinery) to move from Lithuania back to Russia. The construction was completed in 1998 and the buildings with a carrying value of USD 4,963 thousand were included within other PPE balance in property, plant and equipment of the Group. Subsidies will be netted off against property, plant and equipment after an appropriate decision is taken by the Government of Lithuania supporting this course of action.

18. Trade and other payables

	30 September 2005		31 December 2004	
	USD	LTL	USD	LTL
Trade payables	392,430	1,122,999	136,296	345,442
Amounts due to related parties (Note 33)	5,900	16,884	75,159	190,490
Advances received	3,288	9,409	1,897	4,808
Accruals and deferred income	6,151	17,602	4,864	12,328
Taxes other than corporate income tax	58,601	167,698	44,045	111,632
Social security contributions	1,540	4,407	1,690	4,283
Other current liabilities	2,352	6,730	1,015	2,578
	470,262	1,345,729	264,966	671,561

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

19. Borrowings

	30 September 2005		31 December 2004	
	USD	**LTL**	**USD**	**LTL**
Non-current				
Bank borrowings	164,767	471,514	176,666	447,761
Loans from related parties (Note 33)	288,927	826,822	288,927	732,285
Finance lease liabilities	52	149	323	819
	453,746	1,298,485	465,916	1,180,865
Current				
Bank overdrafts (Note 14)	60,000	171,702	80	200
Bank borrowings	9,714	27,798	11,518	29,194
Finance lease liabilities	315	902	355	900
	70,029	200,402	11,953	30,294
Total borrowings	523,775	1,498,887	477,869	1,211,159

Total borrowings include collateralised liabilities of USD 60,367 thousand or LTL 172,753 thousand (December 2004: USD 6,059 thousand or LTL 15,358 thousand). Inventory (December 2004: property, plant and equipment (Note 7)) of the Group is provided as collateral for bank borrowings (Note 12). The rights to the asset leased under finance lease revert to the lessor in the event of default. Borrowings amounting to USD 174,469 thousand or LTL 499,278 thousand (December 2004: USD 152,108 thousand or LTL 385,518 thousand) are guaranteed by the Government of the Republic of Lithuania.

Bank borrowings amounting to USD 234,164 thousand or LTL 670,106 thousand (December 2004: USD 181,577 thousand or LTL 460,207 thousand) are bearing floating interest rate with repricing period between 1 and 6 months. Borrowings of USD 289,244 thousand or LTL 827,730 thousand (December 2004: USD 295,614 thousand or LTL 749,233 thousand) are bearing fixed interest rate.

Maturity dates for borrowings bearing fixed interest rate are as follows:

	30 September 2005		31 December 2004	
	USD	**LTL**	**USD**	**LTL**
6 months or less	157	449	1,259	3,191
6-12 months	157	449	1,066	2,702
1-5 years	72,234	206,712	40,477	102,589
Over 5 years	216,696	620,120	252,812	640,751
	289,244	827,730	295,614	749,233

The maturity of non-current borrowings (excluding finance lease liabilities) is as follows:

	30 September 2005		31 December 2004	
	USD	**LTL**	**USD**	**LTL**
Between 1 and 2 years	6,871	19,663	10,879	27,573
Between 2 and 5 years	136,377	390,270	70,652	179,068
Over 5 years	310,446	888,403	384,062	973,405
	453,694	1,298,336	465,593	1,180,046

The effective interest rates at the balance sheet date were as follows:

	30 September 2005		31 December 2004	
	USD	**Other**	**USD**	**Other**
Bank overdrafts	4.9%	-	-	7%
Bank borrowings	4.7%	-	4%	3.9%
Borrowings from related parties	7%	-	7%	-
Finance lease liabilities	-	7.6%	-	7.4%

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

19. Borrowings (continued)

The fair value of non-current borrowings bearing fixed interest rate is as follows:

	30 September 2005		31 December 2004	
	USD	LTL	USD	LTL
Borrowings	315,653	903,303	346,547	878,323

The fair value is based on cash flows discounted using a rate based on the borrowings rate of 5.23% (December 2004: 3.78%). The carrying amounts of non-current borrowings bearing floating interest rate and short-term borrowings approximate their fair value.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	30 September 2005		31 December 2004	
	USD	LTL	USD	LTL
US dollar	523,396	1,497,802	477,094	1,209,195
Other currencies	379	1,085	775	1,964
	523,775	1,498,887	477,869	1,211,159

The Group has the following undrawn borrowing facilities:

	30 September 2005		31 December 2004	
	USD	LTL	USD	LTL
Floating rate				
– expiring within one year	-	-	10,030	25,423
Fixed rate				
– expiring within one year	-	-	118	300
	-	-	10,148	25,723

Finance lease liabilities - minimum lease payments:

	30 September 2005		31 December 2004	
	USD	LTL	USD	LTL
Not later than 1 year	335	959	397	1,006
Later than 1 year and not later than 5 years	53	152	346	877
	388	1,111	743	1,883
Future finance charges on finance leases	(21)	(60)	(65)	(164)
Present value of finance lease liabilities	367	1,051	678	1,719

The present value of finance lease liabilities is as follows:

	30 September 2005		31 December 2004	
	USD	LTL	USD	LTL
Not later than 1 year	315	902	355	900
Later than 1 year and not later than 5 years	52	149	323	819
	367	1,051	678	1,719

The borrowings outstanding as at 30 September 2005 were subject to a number of covenants, such as exclusive use of the loans and restricted management ability to pledge, mortgage or sell the assets, the acquisition of which was financed by loans throughout the duration of the loan agreements without the lenders' approval. The management believes that the Group has complied with these covenants.

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

20. Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	30 September 2005		31 December 2004	
	USD	LTL	USD	LTL
Deferred tax assets:				
– to be recovered after more than 12 months	17,053	48,801	-	-
– to be recovered within 12 months	5,777	16,532	13	33
	22,830	65,333	13	33
Deferred tax liabilities:				
– to be recovered after more than 12 months	(296)	(847)	-	-
– to be recovered within 12 months	(10)	(29)	-	-
	(306)	(876)	-	-
	22,524	64,457	13	33

The gross movement on the deferred income tax account is as follows:

	USD	LTL
1 January 2004	572	1,581
Exchange differences	-	(3)
Income statement charge (Note 25)	(572)	(1,578)
End of the nine month period 30 September 2004	-	-
1 October 2004	-	-
Exchange differences	-	20
Income statement charge	13	13
End of the three month period 31 December 2004	13	33
1 January 2005	13	33
Exchange differences	-	937
Income statement charge (Note 25)	22,511	63,487
End of the nine month period 30 September 2005	22,524	64,457

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

20. Deferred income tax (continued)

The movement in deferred tax assets and liabilities during the period, without taking into consideration the offsetting of balances in the same tax jurisdictions, is as follows:

USD

Deferred tax assets	**Differences in remeasuring non-monetary assets and liabilities into functional currency**	**Accrued expenses**	**Unrealised profit in inventory and valuation at net realisable value**	**Other**	**Total**
At 1 January 2004	-	-	-	881	881
(Charged) to income statement	-	-	-	(572)	(572)
At 30 September 2004	-	-	-	309	309
(Charged) to income statement	-	-	-	(296)	(296)
At 31 December 2004	-	-	-	13	13
Credited to income statement	20,554	693	1,479	91	22,817
At 30 September 2005	20,554	693	1,479	104	22,830

Deferred tax liabilities	**Differences in remeasuring non-monetary assets and liabilities into functional currency**	**Differences in depreciation rates**	**Total**
At 1 January 2004	-	(309)	(309)
(Charged)/credited to income statement	-	-	-
At 30 September 2004	-	(309)	(309)
Credited to income statement	-	309	309
At 31 December 2004	-	-	-
(Charged) to income statement	(306)	-	(306)
At 30 September 2005	(306)	-	(306)

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

20. Deferred income tax (continued)

LTL

Deferred tax assets	**Differences in remeasuring non-monetary assets and liabilities into functional currency**	**Accrued expenses**	**Unrealised profit in inventory and valuation at net realisable value**	**Other**	**Total**
At 1 January 2004	-	-	-	2,434	2,434
Exchange differences	-	-	-	10	10
(Charged) to income statement	-	-	-	(1,578)	(1,578)
At 30 September 2004	-	-	-	866	866
Exchange differences	-	-	-	10	10
(Charged) to income statement	-	-	-	(843)	(843)
At 31 December 2004	-	-	-	33	33
Exchange differences	550	186	181	30	947
Credited to income statement	58,269	1,797	4,051	236	64,353
At 30 September 2005	58,819	1,983	4,232	299	65,333

Deferred tax liabilities	**Differences in remeasuring non-monetary assets and liabilities into functional currency**	**Differences in depreciation rates**	**Total**
At 1 January 2004	-	(853)	(853)
Exchange differences		(13)	(13)
(Charged)/credited to income statement	-	-	-
At 30 September 2004	-	(866)	(866)
Exchange differences	-	10	10
Credited to income statement	-	856	856
At 31 December 2004	-	-	-
Exchange differences	(10)	-	(10)
(Charged) to income statement	(866)	-	(866)
At 30 September 2005	(876)	-	(876)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of USD 3,084 thousand or LTL 8,826 thousand (December 2004: USD 2,764 thousand or LTL 7,005 thousand) in respect of losses amounting to USD 19,309 thousand or LTL 55,255 thousand (December 2004: USD 18,425 thousand or LTL 46,698 thousand) that can be carried forward against future taxable income. Tax losses can be carried forward for five years to be offset against future taxable income. The expiry dates are as follows:

	30 September 2005		**31 December 2004**	
	USD	**LTL**	**USD**	**LTL**
Expiry date				
2005	4,097	11,723	4,722	11,968
2006	3,354	9,598	3,787	9,598
2007	1,794	5,134	2,133	5,406
2008	2,941	8,416	3,477	8,812
2009	3,635	10,402	4,306	10,914
2010	3,488	9,982	-	-
	19,309	55,255	18,425	46,698

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

21. Provisions

USD

	Claims received from customers	Claim received from the supplier	Environmental obligations	Penalty imposed by the Competition Council	Total
At 1 January 2004	-	2,900	-	-	2,900
Charged to income statement					
- additional provisions	-	-	-	-	-
Used during the period	-	-	-	-	-
At 30 September 2004	-	2,900	-	-	2,900
Charged to income statement					
- additional provisions	1,069	-	-	-	1,069
Used during the period	-	-	-	-	-
At 31 December 2004	1,069	2,900	-	-	3,969
Charged to income statement					
- additional provisions	-	-	11,007	3,487	14,494
Used during the period	-	-	-	-	-
Exchange differences	(87)	-	24	7	(56)
At 30 September 2005	982	2,900	11,031	3,494	18,407

LTL

	Claims received from customers	Claim received from the supplier	Environmental obligations	Penalty imposed by the Competition Council	Total
At 1 January 2004	-	8,010	-	-	8,010
Charged to income statement					
- additional provisions	-	-	-	-	-
Used during the period	-	-	-	-	-
Exchange differences	-	118	-	-	118
At 30 September 2004	-	8,128	-		8,128
Charged to income statement					
- additional provisions	2,709	-	-	-	2,709
Used during the period	-	-	-	-	-
Exchange differences	-	(778)	-	-	(778)
At 31 December 2004	2,709	7,350	-	-	10,059
Charged to income statement					
- additional provisions	-	-	30,126	9,543	39,669
Used during the period	-	-	-	-	-
Exchange differences	101	948	1,441	457	2,947
At 30 September 2005	2,810	8,298	31,567	10,000	52,675

Analysis of total provisions:	30 September 2005		31 December 2004	
	USD	**LTL**	**USD**	**LTL**
- non-current	11,031	31,567	-	-
- current	7,376	21,108	3,969	10,059
	18,407	52,675	3,969	10,059

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

21. Provisions (continued)

(a) Claims received from customers
Provisions of USD 982 thousand or LTL 2,810 thousand (December 2004: USD 1,069 thousand or LTL 2,709 thousand) represent provision for probable losses in relation to the claims received from the customers of Mazeikiu Nafta Trading House Sp.z.o.o (Note 30).

(b) Claim received from the supplier
Provisions of USD 2,900 thousand or LTL 8,298 thousand (December 2004: USD 2,900 thousand or LTL 7,350 thousand) represent provision for probable losses in relation to claim received from PPS Pipeline Systems (PPS), the contractor of the Oil Terminal Project, to compensate Lithuanian VAT (Note 30).

(c) Environmental obligations
In the production process the oil refinery causes contamination. A provision was recognised for the costs to be incurred for the treatment of the waste which was accumulated before 1999. According to the waste treatment plan agreed with the Ministry of Environment of the Republic of Lithuania, the Group has to clean up all contamination that it causes before 2012. It is expected that the provision will be used after 2006. The Group recognised related reimbursement for environmental obligations receivable from the Government of Lithuania (Note 11). According to the Investment Agreement signed between the Company, the Government of the Republic of Lithuania and Williams International Company (replaced by Yukos Finance B.V.) the Government of Lithuania committed itself to compensate all losses to the strategic investor and the Company incurred before the privatisation.

(d) Penalty imposed by the Competition Council
In July 2005 the Lithuanian Competition Council completed an investigation against the Company (Note 30). It concluded that the Company abused its dominant position in Lithuania, Latvia and Estonia market of petrol and diesel in 2002 – 2004. The Lithuanian Competition Council obligated the Company to terminate the activities violating the laws of the Republic of Lithuania and European Union and proposed to impose a penalty on the Company. The Group created provision for probable penalty amounting to USD 3,494 thousand or LTL 10,000 thousand as at 30 September 2005.

22. Other operating income

	2005				2004			
	3 months ended 30 September		9 months ended 30 September		3 months ended 30 September		9 months ended 30 September	
	USD	LTL	USD	LTL	USD	LTL	USD	LTL
Interest income	4,111	11,628	9,657	26,557	1,084	3,069	2,056	5,818
Derivative instruments	(31)	(88)	42	108	-	-	-	-
Other operating income	13	39	503	1,340	-	-	-	-
	4,093	11,579	10,202	28,005	1,084	3,069	2,056	5,818

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

23. Expenses by nature

	2005				2004			
	3 months ended 30 September		9 months ended 30 September		3 months ended 30 September		9 months ended 30 September	
	USD	LTL	USD	LTL	USD	LTL	USD	LTL
Depreciation and amortisation (Notes 7 and 8)	9,410	26,618	29,076	79,356	9,555	27,011	28,418	80,077
Wages and salaries	12,014	33,983	40,027	109,168	11,607	32,979	36,691	103,493
Social security costs	3,665	10,367	12,249	33,406	3,565	10,129	11,290	31,849
Costs of crude oil and feedstock	959,293	2,713,456	2,336,013	6,405,656	613,747	1,743,876	1,450,177	4,093,968
Additives and catalysts	1,522	4,305	4,926	13,395	1,191	3,385	3,995	11,235
Changes in inventories of finished goods and work in progress	(82,477)	(233,294)	(82,487)	(230,080)	2,940	8,354	(24,694)	(68,928)
Transit and freight	11,439	32,356	48,948	132,950	21,255	60,394	50,784	143,036
Railway services	14,775	41,793	43,717	119,360	13,728	39,006	36,138	101,838
Terminal and laboratory services	6,922	19,580	23,444	63,871	7,223	20,523	20,550	57,866
Electricity	8,953	25,324	26,642	72,766	9,503	27,002	25,536	72,022
Steam power	2,259	6,390	11,014	29,735	1,920	5,456	10,240	28,735
Intermediary services	3,219	9,105	10,712	29,213	785	2,231	2,304	6,563
Consumables and office supplies	4,029	11,396	10,701	29,321	3,079	8,750	9,585	27,100
Taxes, other than income tax	1,792	5,069	7,265	19,765	2,325	6,606	6,495	18,342
Insurance	1,846	5,222	5,563	15,187	1,922	5,461	5,834	16,459
Operating lease	1,976	5,589	5,330	14,589	2,071	5,886	4,872	13,790
Professional fees	2,342	6,625	4,119	11,384	956	2,715	2,773	7,803
Change in provision for impairment of receivables	22	62	(1,342)	(3,669)	(33)	(94)	-	-
Long-term employee benefits	2,396	6,777	2,396	6,777	-	-	-	-
Change in provision for inventory	3,126	8,842	3,126	8,842	2,000	5,683	2,000	5,683
Other expenses	10,028	28,363	27,170	74,993	4,657	13,359	16,188	46,003
	978,551	2,767,928	2,568,609	7,035,985	713,996	2,028,712	1,699,176	4,796,934
Classified as:								
– cost of sales	916,000	2,590,996	2,368,140	6,488,889	660,885	1,878,556	1,542,142	4,355,230
– selling and marketing costs	40,506	114,574	143,558	390,906	41,819	118,242	118,159	332,149
– administrative expenses	22,045	62,358	56,911	156,190	11,292	31,914	38,875	109,555
	978,551	2,767,928	2,568,609	7,035,985	713,996	2,028,712	1,699,176	4,796,934

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

24. Finance costs

	2005				2004			
	3 months ended 30 September		9 months ended 30 September		3 months ended 30 September		9 months ended 30 September	
	USD	**LTL**	**USD**	**LTL**	**USD**	**LTL**	**USD**	**LTL**
Interest expense:								
– borrowings	7,378	20,866	21,110	57,707	6,511	18,406	19,819	55,835
– finance lease	4	12	24	66	13	39	44	126
	7,382	20,878	21,134	57,773	6,524	18,445	19,863	55,961
Foreign exchange transaction (gains)/losses	290	825	2,249	5,952	(1,364)	(4,127)	(531)	(1,870)
Other finance costs	(4)	(10)	13	43	-	-	-	-
	7,668	21,693	23,396	63,768	5,160	14,318	19,332	54,091

25. Income tax expense

	2005				2004			
	3 months ended 30 September		9 months ended 30 September		3 months ended 30 September		9 months ended 30 September	
	USD	**LTL**	**USD**	**LTL**	**USD**	**LTL**	**USD**	**LTL**
Current tax	17,643	49,905	42,666	117,069	18,377	51,516	27,040	76,041
Deferred tax (Note 20)	(21,135)	(59,782)	(22,511)	(63,487)	11	59	572	1,578
	(3,492)	(9,877)	20,155	53,582	18,388	51,575	27,612	77,619

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

25. Income tax expense (continued)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

	2005				2004			
	3 months ended 30 September		9 months ended 30 September		3 months ended 30 September		9 months ended 30 September	
	USD	LTL	USD	LTL	USD	LTL	USD	LTL
Profit before tax	107,128	303,022	301,429	828,251	94,496	267,447	185,960	525,328
Tax calculated at 15% (2004: 15%)	16,069	45,453	45,214	124,238	14,174	40,117	27,894	78,799
Effect of different tax rates in other countries	(159)	(450)	(463)	(1,253)	6	34	(71)	(187)
Non-deductible exchange differences	(149)	(421)	(1,807)	(4,959)	40	(360)	38	(740)
Exchange differences for which no deferred income tax was recognised	2,551	6,789	-	-	3,490	9,866	876	2,739
Exchange differences related to prior periods for which deferred income tax was created	(23,014)	(64,671)	(23,014)	(64,671)	-	-	-	-
Income not subject to tax	481	1,361	(95)	(183)	1	3	(25)	(64)
Expenses not deductible for tax purposes	1,491	4,217	1,944	4,913	(62)	(175)	768	2,106
Capital investment relief	(973)	(2,752)	(1,739)	(4,849)	562	1,589	(2,331)	(6,337)
Charity expenses deductible twice for tax purposes	(42)	(119)	(447)	(1,196)	-	-	-	-
Utilisation of previously unrecognised tax losses	2	6	(9)	(22)	(9)	(25)	(11)	(31)
Tax losses for which no deferred income tax asset was recognised	251	710	571	1,564	186	526	474	1,334
Tax charge	(3,492)	(9,877)	20,155	53,582	18,388	51,575	27,612	77,619

In 2003, the Company resumed its modernization program which includes significant investments in property, plant and equipment during 2004 – 2009 in order to meet more stringent quality requirements for gasoline and diesel, more stringent environmental requirements, to improve logistics and product handling and to increase efficiency. According to management plans, part of these investments should have been financed from the Company's operating cash flows and this should have enabled the Company to avoid income tax expenses during 2004 – 2009 by applying the investment credit following the terms of Investment Agreement.

The Investment Agreement signed on 29 October 1999 between the Company, the Government of the Republic of Lithuania and Williams International Company (from 19 September 2002 replaced by Yukos Finance B.V.) guaranteed that starting from 29 October 1999 for a period of 10 years that portion of taxable profit of the Company utilised for investment in property, plant and equipment may be taxed at a corporate profit tax rate of 0 percent. If the Government fails to ensure for at least for a period of 10 years the application of this investment credit, the Government shall be responsible for and shall indemnify and hold harmless the Company from any and all losses, liabilities and expenses incurred or sustained by the Company as a result of such failure. In addition, according to the Investment agreement the tax rates payable by the Company cannot be increased for the period of 10 years. Uncertainties relating to certain provisions of Investment Agreement based on the Constitutional Court decision are described in Note 30.

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

25. Income tax expense (continued)

The implementation of capital investments plans for 2004 and 2005 were significantly delayed, therefore the management believes that the Company will not be able to reduce taxable profits to nil in 2005 - 2009. The effective tax rate for the nine-month period ended 30 September 2005 was based on the Company's planned investment in property, plant and equipment for the year ending 31 December 2005.

26. Earnings per share

Basic
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	2005				2004			
	3 months ended 30 September		9 months ended 30 September		3 months ended 30 September		9 months ended 30 September	
	USD	LTL	USD	LTL	USD	LTL	USD	LTL
Profit attributable to equity holders of the Company	110,629	312,925	281,804	776,066	76,139	215,960	158,523	448,202
Weighted average number of ordinary shares in issue (thousands)	707,454	707,454	707,454	707,454	707,454	707,454	707,454	707,454
Basic earnings per share (USD or LTL per share)	0.156	0.442	0.398	1.097	0.108	0.305	0.224	0.634

Diluted
Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has only one category of dilutive potential ordinary shares: share options.

The calculation is performed for the share options to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares for the period) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2005				2004			
	3 months ended 30 September		9 months ended 30 September		3 months ended 30 September		9 months ended 30 September	
	USD	LTL	USD	LTL	USD	LTL	USD	LTL
Profit attributable to equity holders of the Company	110,629	312,925	281,804	776,066	76,139	215,960	158,523	448,202
Weighted average number of ordinary shares in issue (thousands)	707,454	707,454	707,454	707,454	707,454	707,454	707,454	707,454
Adjustment for share options (thousands)	316,924	316,924	305,289	305,289	231,415	231,415	217,889	217,889
Weighted average number of ordinary shares for diluted earnings per share (thousands)	1,024,378	1,024,378	1,012,743	1,012,743	938,869	938,869	925,343	925,343
Diluted earnings per share (USD or LTL per share)	0.108	0.305	0.278	0.766	0.081	0.230	0.171	0.484

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

27. Share options

According to the Investment Agreement as of 18 June 2002, Yukos Finance B.V. had an option to subscribe for a certain number of the Company's newly issued shares for the consideration of USD 75 million. Yukos Finance B.V. exercised this option by delivering to the Government of Lithuania and the Company a notice in writing on 29 October 2004. Yukos Finance B.V. claims that according to the Investment Agreement increase in its share should be calculated based on the number of shares owned by Yukos Finance B.V. before the option is exercised and its share should increase from 53.7 percent to approximately 69.065 percent, whereas the Government of the Republic of Lithuania is claiming that increase in shares should be calculated based on the number of shares owned by Williams International Company before the shares were sold to Yukos Finance B.V. In that case the share of Yukos Finance B.V. would increase to approximately 63.426 percent.

From the date of exercise of the first option, Yukos Finance B.V. has the second option to purchase from 1 to 11.5 percent of shares held by the Government of Lithuania for a price which is equal to 3 times EBITDA (preceding year) multiplied by the percentage to be repurchased but not less than USD 4.9 million for 1 percent. The option expires on 29 October 2006.

The Government of the Republic of Lithuania initiated negotiations with Yukos Finance B.V regarding the above-mentioned options. As at the date of signing these financial statements, the management of the Company is not aware either of the timing or the substance of any decision that the Government of Lithuania and Yukos Finance B.V may take, therefore in these financial statements diluted earnings per share were calculated based on Yukos Finance B.V. share increase to 69.065 percent.

28. Dividends per share

At the Annual General Shareholders' meeting on 29 April 2005, a dividend in respect of 2004 of LTL 0.35 per share equivalent to USD 0.131 per share amounting to a total dividend of LTL 247,609 thousand (USD 92,671 thousand) were declared.

29. Cash generated from operations

	30 September 2005		30 September 2004	
	USD	LTL	USD	LTL
Profit for the period	281,274	774,669	158,348	447,709
Adjustments for:				
– tax (Note 25)	20,155	53,582	27,612	77,619
– depreciation (Note 7)	28,038	76,520	27,464	77,389
– amortisation (Note 8)	1,038	2,836	954	2,688
– (profit) on sale of non-current assets classified as held for sale	(1)	(2)	-	-
– (profit) on sale of available-for-sale financial assets	-	-	(61)	(173)
– (profit) on sale of PPE	(172)	(389)	(499)	(1,157)
– retirement of PPE (Note 7)	3,356	9,175	1,680	4,483
– reversal of impairment charge of PPE (Note 7)	(1,411)	(3,721)	-	-
– impairment charge on PPE (Note 7)	931	2,633	472	1,328
– interest income (Note 22)	(9,657)	(26,557)	(2,056)	(5,818)
– interest expense (Note 24)	21,134	57,773	19,863	55,961
– net movement in provisions for liabilities	14,494	39,669	-	-
– share of loss/(profit) from associates (Note 10)	(64)	(173)	42	118
– Excess of the acquirer's interest in the net assets acquired recognised as income (Note 32)	(104)	(278)	-	-
– exchange (gains)/losses on borrowings	(361)	160,407	-	-
Changes in working capital:				
– inventories	(85,228)	(307,324)	(44,062)	(124,507)
– trade and other receivables	(72,026)	(252,823)	(41,189)	(116,823)
– trade and other payables	207,666	682,403	64,467	186,542
Cash generated from operations	409,062	1,268,400	213,035	605,359

30. Contingencies

Claim from PPS Pipeline Systems

In 2000, the Company received a claim from PPS Pipeline Systems (PPS), the contractor of the Oil Terminal Project, to compensate Lithuanian VAT in the amount of USD 2,138 thousand which was incurred until registration of PPS in Lithuania and, therefore, was not recovered from the state budget. Following advice of its lawyers the Company rejected these claims as ungrounded. In 2003, the Company received a repeated claim from PPS in the total amount of USD 2,900 thousand which also included accumulated late payment of interest of USD 662 thousand and PPS Pipeline Systems branch office costs of USD 100 thousand. Furthermore, in 2003 PPS Pipeline Systems submitted an additional claim of USD 646 thousand to the Company for the extra works reimbursement according to the Oil Terminal contract. The dispute over the recovery of VAT first arose in 1997 and despite many threats, arbitration proceedings have still not been initiated by PPS.

The management believes that it is more likely than not that an outflow of resources will be required to settle the obligation, therefore the Group recognised a provision of USD 2,900 thousand (equivalent to LTL 8,298 thousand as at 30 September 2005) for probable losses that would be incurred if legal proceedings were initiated against the Company and a judgment rendered against the Company, in the financial statements for the nine-month period ended 30 September 2005 and the year ended 31 December 2004 (Note 21).

Investigation of the Competition Council

In July 2004, the Lithuanian Competition Council commenced an investigation against the Company to determine whether the higher price of fuel in Lithuania is the result of violations and abuse of its dominant position in the market. The investigation resulted from the fact that the prices of fuel in Lithuania are higher than those in Latvia and Estonia, despite the fact that with effect from May 2004 all three countries have unified fuel excise and customs duties. The investigation was completed in July 2005. The Lithuanian Competition Council concluded that the Company abused its dominant position in Lithuania, Latvia and Estonia market of petrol and diesel in 2002 – 2004. The Lithuanian Competition Council obligated the Company to terminate the activities violating the laws of the Republic of Lithuania and European Union and proposed to impose a penalty on the Company.

The management created a provision of USD 3,494 thousand or LTL 10,000 thousand for probable penalty imposed by the Lithuanian Competition Council in the interim consolidated financial statements for the nine-month period ended 30 September 2005 (Note 21).

In November 2005, the Latvian Competition Council commenced an investigation against Mazeikiu Nafta Tridcniecibas Nams SIA whether it did not abuse its dominant position in the Latvian market. The investigation is not completed and the results of investigation are not known at the date of these consolidated interim financial statements. The management has taken legal advice and believes that Mazeikiu Nafta Tridcniecibas Nams SIA has complied with Latvian competition law and, therefore, no provision was made in the financial statements for the nine-month period ended 30 September 2005.

Claim from Klevo Lapas UAB

In 2003, based on a decision of the Competition Council, stating that the Company has not complied with the Competition Law and which allows the customers affected by the Company's pricing policy to claim damages from the Company, the legal proceedings initiated by Klevo Lapas UAB against the Company in 2000 were renewed and the Court appointed an independent expert committee to evaluate the possible amounts of damages caused to Klevo Lapas UAB. As at 30 September 2005, the claim from Klevo Lapas UAB amounted to LTL 741 thousand (equivalent to USD 259 thousand as at 30 September 2005). However, the possible amounts of damages caused to this customer evaluated by the expert committee appointed by the Court at an early stage of the dispute comprised approximately LTL 7,500 thousand (equivalent to USD 2,621 thousand as at 30 September 2005). As at 30 September 2005 the Company had a receivable from Klevo Lapas UAB amounting to LTL 5,298 thousand (equivalent of USD 1,851 thousand as at 30 September 2005), which was provided in full. The management does not expect that the final amount of this claim will exceed the amount receivable from Klevo Lapas UAB, therefore, no provision for the claim was made in the financial statements for the nine-month period ended 30 September 2005.

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

30. Contingencies (continued)

Payment request from a group of inventors

The Company had received a payment request from a group of individuals in the amount of LTL 14,000 thousand (equivalent to USD 4,892 thousand as at 30 September 2005) related to a production improvement process invented and patented by the group and subsequently implemented by the Oil refinery covering the period 1996 – 2001. Management does not agree that the implementation of the invention did actually improve the output of production process and, therefore, rejected the payment request. In 2003, one of the inventors initiated legal proceedings against the Company and claimed an amount totalling LTL 400 thousand (equivalent to USD 140 thousand as at 30 September 2005). Management has taken legal advice and believes that the charges are without merit and intends to vigorously defend its position. Accordingly, no accrual for this contingent liability has been made in these financial statements. In the event the Company loses this proceeding, the Company might raise the issue of compensation of the amounts of this claim under provisions of the Investment Agreement, signed between Yukos Oil Corporation OAO, Yukos Finance B.V., Williams International Company, the Company and the Government of Lithuania (see also decision of the Constitutional Court described further).

Claim from Rietumu Banka AS

In 1999, the Company received a claim from Rietumu Banka AS for the total amount of USD 1,250 thousand related to unperformed sales of oil products to Thornleigh Trust Ltd. in accordance with the agreement signed on 23 March 1998 with Rietumu Banka AS and Thornleigh Trust Ltd. The Company set-off the advance payment of USD 1,250 thousand received from Thornleigh Trust Ltd. against the receivable balance outstanding and did not perform the shipment of products. Management has taken legal advice and believes that the claim is without merit, therefore, no provision for the claim amount was made in these financial statements for the nine-month period ended 30 September 2005.

Claim from customers of Mazeikiu Nafta Trading House Sp.z.o.o.

Due to uncertainty in the interpretation of the laws Mazeikiu Nafta Trading House Sp.z.o.o. has not settled to the customs office the petrol duty for the period from 1 May to 8 October 2004. The customers of Mazeikiu Nafta Trading House Sp.z.o.o. claimed that the selling price should be reduced by this petrol duty.

The Group created a provisions of USD 982 thousand or LTL 2,810 thousand (December 2004: USD 1,069 thousand or LTL 2,709 thousand) for probable losses in relation to the claims received from the customers of Mazeikiu Nafta Trading House Sp.z.o.o (Note 21).

Other litigations and claims

The Group is involved in other litigations and has claims against it for matters arising in the ordinary course of business, which have not been described above. In the opinion of the management, the outcome of these claims will not have a material adverse effect on the Group's operations.

Minority shareholders' claims

In 2002, minority shareholders' petitioned a court to recognise the decisions made during the shareholders' meeting held on 21 September 2002 as invalid due to breach of the Law on Securities Market. The decisions made include election of the Supervisory Board, which subsequently appointed the Board of Directors.

The final outcome of this claim has not been determined at the date of these interim consolidated financial statements. Management believes that the claim of the minority shareholders is not grounded.

30. Contingencies (continued)

Decision of the Constitutional Court of the Republic of Lithuania

On 18 October 2000, the Constitutional Court of the Republic of Lithuania concluded that certain provisions of the Law of the Republic of Lithuania on Reorganization of Public Companies Būtingės Nafta AB, Mažeikių Nafta AB and Naftotiekis AB, which entitled the Government to assume, on behalf of the State, major property-related obligations to the strategic investor and (or) Mažeikių Nafta AB, contravened the Constitution of the Republic of Lithuania. The Constitutional Court concluded that the provision in the Law on compensation of losses to the strategic investor and Mažeikių Nafta AB is formulated in such a way that the State would have an obligation to compensate from the State budget even if the losses were incurred due to the fault of the strategic investor Williams International Company and (or) Mažeikių Nafta AB, and thus contradicts the Constitution of the Republic of Lithuania.

The Investment Agreement signed on 29 October 1999 between the Company, the Government of the Republic of Lithuania and Williams International Company (from 19 September 2002 replaced by Yukos Finance B.V.) established that the Government of Lithuania undertook to ensure the economic conditions for the Company's operations (i.e. laws and other legal acts of the Republic of Lithuania) will not be changed in a manner that would adversely affect or impede implementation of the Management Plans of the Company until the later of the termination of the Management Agreement, the Shareholders' Agreement or the Financing Agreements (as such Management Plans and agreements defined in contractual documentation signed by the parties). The strategic investor and/or the Company can claim compensation from the Government for any losses incurred due to the Government's failure to ensure these matters. In addition, under the provisions of the Investment Agreement the Company is indemnified by the Government of the Republic of Lithuania from certain obligations and losses, if any, arising from the contingencies that were present when the agreement was signed. In 1999 and 2000, the Company received LTL 140,000 thousand (USD 35,000 thousand) as crude oil interruption compensation. In 2001 and 2002, the Government of the Republic of Lithuania compensated to the Company LTL 33,431 thousand (USD 8,671 thousand) under provisions of the Investment Agreement for indemnification from certain obligations and losses. The management of the Company believes that the uncertainty related to the decision of the Constitutional Court may to some extent negatively influence the Government of the Republic of Lithuania when fulfilling its obligations under the provisions of the Investment Agreement, however, no provisions have been established for the possible repayment of compensation already received.

In accordance with the amendments made to the Investment Agreement as at 8 July 2003, the provision allowing the Company the unilateral right of set off of amounts receivable from the Government of Lithuania with the amounts payable to the Government was abolished.

Dispute with Klaipėdos nafta AB over surplus balance of oil products

The Company is a sole exporter of light oil products via terminal owned by Klaipėdos nafta AB. During a stocktake at the terminal, a surplus balance of light oil products comprising USD 8.2 million at year-end oil products prices, which was accumulated during 1999-2004 was identified. On 5 May 2004 the Company and Klaipėdos nafta AB signed an agreement to share the surplus balance equally. However, practically this decision has not been implemented and the Company has not recognised its share of the surplus balance as an asset as at 30 September 2005.

Guarantees under waste treatment plans

As required by a waste treatment plans approved by the Ministry of Environment in 2004, the Company issued guarantees to the regional departments of the Ministry of Environment for a total amount of LTL 11,970 thousand (USD 4,183 thousand as at 30 September 2005). Payments under these guarantees should be made in cases when the Company is unable to continue treatment of waste accumulating in production process. In the consolidated interim financial statements for the nine-month period ended 30 September 2005 the Group made a provision for the environmental obligations amounting to USD 11,031 thousand or LTL 31,567 thousand (Note 21) and recognised related reimbursement for environmental obligations receivable from the Government of Lithuania (Note 11).

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

30. Contingencies (continued)

Emission allowances

The Group participates in a carbon dioxide cap and trade scheme. In 2005 the Group was set a target by the Government of the Republic of Lithuania to reduce its emissions of carbon dioxide to a 6,622,887 tons (the cap) in 2005 - 2007. The Group is issued allowances equal in number to its cap by the Government of the Republic of Lithuania. Allowances are issued free of charge. Allowances obtained at no cost are recorded at a zero basis by the Group. The management believes that the actual emission of carbon dioxide will not exceed the allowances received therefore no accrual for additional costs was established in the consolidated interim financial statements for the nine-month period ended 30 September 2005.

31. Commitments

(a) Capital commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	30 September 2005		31 December 2004	
	USD	LTL	USD	LTL
Property, plant and equipment	36,010	103,050	658	1,753

(b) Operating lease commitments – where a Group Company is the lessee

The Group leases various property, plant and equipment under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The Group also leases various property, plant and equipment under cancellable operating lease agreements. The lease expenditure charged to the income statement during the period is disclosed in Note 23.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	30 September 2005		31 December 2004	
	USD	LTL	USD	LTL
No later than 1 year	392	1,122	498	1,262
Later than 1 year and no later than 5 years	670	1,917	977	2,476
Later than 5 years	567	1,623	581	1,473
	1,629	4,662	2,056	5,211

32. Acquisitions

In March 2005, the Company's wholly owned subsidiary Uotas UAB acquired 2.32% of shares in its subsidiary Ventus Nafta AB from the minority shareholders increasing its ownership to 97.52%.

Details of net assets acquired and goodwill are as follows:

	USD	LTL
Purchase consideration:		
– cash paid for shares issued	136	362
– fair value of other assets given	227	605
Total purchase consideration	363	967
Carrying value of net assets acquired	81	216
Goodwill (Note 9)	444	1,183

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

32. Acquisitions (continued)

In April 2005, the Company acquired 40% of shares in its subsidiary Juodeikių Nafta UAB from the minority shareholders increasing its ownership to 100%.

Details of net assets acquired and excess of the acquirer's interest in the net assets acquired over cost are as follows:

	USD	LTL
Purchase consideration – cash paid	208	554
Carrying value of net assets acquired	(312)	(832)
Excess of the acquirer's interest in the net assets acquired	(104)	(278)

Excess of the acquirer's interest in the net assets acquired amounting to USD 104 thousand or LTL 278 thousand was recognised in the income statement immediately and was included in administrative expenses.

33. Related-party transactions

Yukos Finance B.V is the majority shareholder of the Company. According to the provisions of the Investment Agreement, Yukos Finance B.V also has management control rights of the Company.

In June 2002, the Group and Yukos Oil Company OAO signed a crude oil supply agreement for an annual quantity of 4,800 thousand metric tons of crude oil. The price of crude oil is determined based on open market terms. The agreement is valid until 30 September 2012. In 2004, Yukos Oil Company OAO commitments under this agreement were transferred to Samaraneftegas OAO, Yukos Group company. Furthermore, according to an agreement with Yukos Oil Company OAO signed in June 2002, the Group has committed to accept an annual quantity of 4,000 thousand metric tons of crude oil from Yukos Oil Company OAO and to transport it through the oil terminal. The price for the transportation services is determined based on market terms. This agreement is valid until 31 December 2005. In February 2005 Yukos Oil Company OAO suspended supply of crude oil to the Group both for refining and transportation purposes.

On 1 January 2005 the Group signed a sales commissioner agreement with Petroval PTE, an entity related to Yukos Oil Company OAO. According to this agreement Petroval PTE sells the Group's oil products for a defined fee. Accounts receivable balance represents receivables from the third parties which have to be collected by Petroval PTE on behalf of the Group. Until 1 January 2005 a sales commissioner agreement signed on 1 November 2002 with Petroval SA was valid. This agreement was terminated by mutual agreement of parties effective from 31 December 2004.

Naftelf UAB is an associated company, where the Company holds 34 percent of the shares. The Group sells jet fuel to Naftelf UAB.

The following transactions were carried out with related parties:

(a) Sales of goods and services

	2005				2004			
	3 months ended 30 September		9 months ended 30 September		3 months ended 30 September		9 months ended 30 September	
	USD	LTL	USD	LTL	USD	LTL	USD	LTL
– Naftelf UAB	6,609	18,694	16,974	46,633	3,180	8,983	7,394	20,890
– Yukos Group*	1	3	37	99	1,325	3,724	13,719	38,669
– Petroval SA	40,555	114,715	75,797	210,539	46,656	131,463	58,262	164,165
– Petroval PTE	-	-	10,965	28,818	-	-	-	-
	47,165	133,412	103,773	286,089	51,161	144,170	79,375	223,724

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

33. Related-party transactions (continued)

(b) Purchases of goods and services

	2005				2004			
	3 months ended 30 September		9 months ended 30 September		3 months ended 30 September		9 months ended 30 September	
	USD	LTL	USD	LTL	USD	LTL	USD	LTL
– Petroval PTE (commission fee and purchase of crude oil)	17,118	48,420	57,820	157,498	-	-	-	-
– Petroval SA (commission fee and purchase of crude oil)	187	529	922	2,502	79,064	223,692	180,827	508,479
– Yukos Group* (purchase of crude oil)	-	-	896	2,356	462,865	1,307,950	1,122,499	3,164,075
– Yukos Finance B.V. (management fee)	630	1,782	1,134	3,109	439	1,241	1,530	4,313
	17,935	50,731	60,772	165,465	542,368	1,532,883	1,304,856	3,676,867

(c) Key management compensation

	2005				2004			
	3 months ended 30 September		9 months ended 30 September		3 months ended 30 September		9 months ended 30 September	
	USD	LTL	USD	LTL	USD	LTL	USD	LTL
Salaries and other short-term employee benefits	151	427	473	1,292	130	367	392	1,103

(d) Year-end balances arising from sales/purchases of goods/services

Receivables from related parties (Note 13):	30 September 2005		31 December 2004	
	USD	LTL	USD	LTL
Yukos Group* trade receivables	2,163	6,190	2,178	5,802
Less provision for impairment of receivables	(2,161)	(6,184)	(2,172)	(5,787)
Yukos Group* trade receivables - net	2	6	6	15
Petroval PTE	113,548	324,940	-	-
Petroval SA	195	558	71,415	181,001
Naftelf UAB	833	2,384	900	2,282
	114,578	327,888	72,321	183,298

Payables to related parties (Note 18):	30 September 2005		31 December 2004	
	USD	LTL	USD	LTL
Yukos Group*	571	1,634	64,052	162,340
Yukos Finance B.V.	745	2,132	124	314
Petroval SA	374	1,070	10,887	27,593
Petroval PTE	4,174	11,945	-	-
Naftelf UAB	36	103	40	101
Government of the Republic of Lithuania	-	-	56	142
	5,900	16,884	75,159	190,490

*Yukos Oil Company OAO, Yukos International UK B.V., Yukos Export Trade OOO, Samaraneftegas OAO are treated as Yukos Group companies.

(all tabular amounts are in USD'000 and LTL'000 unless otherwise stated)

33. Related-party transactions (continued)

(e) Loans from related parties – Government of the Republic of Lithuania

	USD	LTL
Beginning of the period	288,991	798,222
Interest charged	16,100	45,513
Interest paid	(16,108)	(45,533)
Exchange differences	-	11,790
End of the nine-month period 30 September 2004	288,983	809,992
Beginning of period	288,983	809,992
Interest charged	5,168	13,511
Interest paid	(5,168)	(13,511)
Exchange differences	-	(77,565)
End of the three-month period 31 December 2004	288,983	732,427
Beginning of period	288,983	732,427
Interest charged	15,338	42,057
Interest paid	(15,394)	(42,199)
Exchange differences	-	94,537
End of the nine-month period 30 September 2005	288,927	826,822

An interest of 7 percent per annum is payable on the loan granted by the Government of the Republic of Lithuania. Loan has to be repaid by 11 July 2013. First instalment is due in 2009.

34. Events after the balance sheet date

Business combinations

On 12 October 2005 the Group acquired 85.72% of the share capital of Mažeikių Elektrinė AB, a company involved in manufacture, supply and distribution of electricity and thermal energy, for a cash consideration of USD 6,198 thousand or LTL 17,800 thousand.

As at the date of the issuance of these consolidated interim financial statements the initial accounting for a business combination was not completed by the Group. The fair value of assets and liabilities arising from the acquisition was not disclosed because they were not determined by the Group as at the date of the issuance of these consolidated interim financial statements. The acquiree's carrying amount of assets and liabilities determined in accordance with IFRS was not disclosed because Mažeikių Elektrinė AB financial statements in accordance with IFRS were not prepared as at the date of the issuance these consolidated interim financial statements.

Acquisition of share in subsidiary

On 20 October 2005, the Company's wholly owned subsidiary Uotas UAB acquired 1.07% of shares in its subsidiary Ventus Nafta AB from the minority shareholders increasing its ownership to 98.59%.

Details of net assets acquired and excess of the acquirer's interest in the net assets acquired over cost are as follows:

	USD	LTL
Purchase consideration – fair value of assets given	86	247
Carrying value of net assets acquired	(109)	(313)
Excess of the acquirer's interest in the net assets acquired	(23)	(66)

Excess of the acquirer's interest in the net assets acquired amounting to USD 23 thousand or LTL 66 thousand was recognised in the income statement immediately.